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U. S. Congress. Senate. Committee on
Finance.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 1

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED**

AUGUST 5, 1909

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COMMITTEE ON FINANCE.

UNITED STATES SENATE.

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HENRY CABOT LODGE, Massachusetts.

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WELDON B. HEYBURN, Idaho.

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W. B. STEWART, *Assistant Clerk.*

**D. OF D.
MAY 6 1912**

2.2.1. Aug. 22.

Washington, D. C.

Present: Senators Penrose (chairman), Lodge, McCumber, Smoot, Gallinger, Clark of Wyoming, Heyburn, Simmons, Williams, Kern, and Johnson.

and Johnson.

The CHAIRMAN. The committee will proceed with the hearings.

Senator Kern, are your Indiana people ready to be heard?

Senator KERN. Yes.

The CHAIRMAN. Introduce them to the committee, please.

STATEMENT OF MR HENRY C ATKINS REPRESENTING THE

The CHAIRMAN. Mr. Atkins state what part of the pending bill

THE CHAIRMAN. Mr. Atkins, state what part of the pending bill you desire to be heard on. Please give the number of the paragraph.

Mr. ATKINS. I think it is No. 37 with reference to crosscut saws.

and other saws.

The CHAIRMAN. Will you proceed in your own way, please?

Mr. ATKINS. I have not a great deal to say in reference to this

Mr. ATKINS. On raw materials. Then I took our sales of goods manufactured from those raw materials on the basis of the new duties, as proposed in the new bill, and I find under the duty there a loss of approximately \$200,000. Now, that makes a net loss of approximately \$120,000.

Senator GALLINGER. Could you state to the committee, approximately, the ad valorem duty on saws under the present tariff law? I see here it is figured at so much per linear foot, and then there is an ad valorem duty in addition.

Mr. ATKINS. Yes.

Senator GALLINGER. Have you figured how much that would be, probably, on the ad valorem basis?

Mr. ATKINS. On crosscut saws it is somewhere between 6 and 7 per cent.

Senator GALLINGER. You did not quite understand the question.

Mr. ATKINS. Oh, the old duty was 5 cents a foot.

Senator GALLINGER. Yes. What is that equivalent to in ad valorem?

Mr. ATKINS. That is equivalent to in the neighborhood of 25 per cent—from 20 to 25 per cent.

Senator SMOOT. The equivalent ad valorem in the year 1910 on crosscuts ran 19.35 per cent; in the year 1911 the equivalent ad valorem was 17.35 per cent. In the proposed bill here the equivalent ad valorem we estimate to be 12 per cent.

Mr. ATKINS. Yes. On circular saws the old bill was 20 per cent and the new bill is 12 per cent. On hand, back, panel, and other saws it was 25 per cent and the new bill is 12 per cent.

Senator SMOOT. On steel band saws, under the Payne tariff for 1910, the equivalent is 28.02 per cent, for 1911 is was 30.26 per cent, and this is 12 per cent in the proposed bill.

Mr. ATKINS. Yes.

Senator JOHNSON. You mean the House bill?

Mr. ATKINS. Yes.

Senator JOHNSON. Do you manufacture steel band saws?

Mr. ATKINS. Yes; that is a very large proportion of our product.

The CHAIRMAN. How many men are employed by your establishment?

Mr. ATKINS. We have in the neighborhood of 1,000 men in our factory, and we have at our branches, where we operate repair shops and do the finishing of hardened and tempered plates, a number of men besides those. Besides that we have our office forces and our selling organization and such other men as may be necessary. It approximates about 1,400 men in all.

Senator HEYBURN. In your works?

Mr. ATKINS. Yes.

Senator HEYBURN. Do you know how many men are engaged in a similar or equivalent enterprise in the United States?

Mr. ATKINS. I think that it is——

Senator HEYBURN. I want it in connection with this statement.

Mr. ATKINS. You do not want it out of here [indicating]?

Senator HEYBURN. You can give it from any source, but I want it to appear in the record in connection with this statement.

Mr. ATKINS. I thought I had the minority report. That gives a very good idea of it. I should say in the neighborhood of 8,000.

Senator KERN. How many branches have you throughout the country?

Mr. ATKINS. We have nine branches.

Senator KERN. In various parts of the United States?

Mr. ATKINS. Yes; and we have a factory in Hamilton, Ontario.

Senator HEYBURN. Did you find those figures?

Mr. ATKINS. No; I did not. It is approximately 8,000.

Senator HEYBURN. That is, in the entire United States, in all the establishments connected with the making of saws?

Mr. ATKINS. There are 83 establishments in the United States that are reporting under the—here we have it [referring to page 97 of House Report No. 260, Sixty-second Congress, second session]. There are 83 establishments with a capital of \$11,287,816. The average wage earners are given here at 4,650, with wages of \$2,707,423; cost of materials used, \$4,035,530; approximate value of products, \$9,819,787.

Senator HEYBURN. Where is your competition? From what country?

Mr. ATKINS. Our competition is from Sweden, England, and Germany.

Senator HEYBURN. In what proportions?

Mr. ATKINS. The competition in the crosscuts is almost entirely from Sweden. The competition in the circulars is from England, and the competition on band saws is from France and some from Sweden.

Senator HEYBURN. Where does Germany come in?

Mr. ATKINS. Germany comes in with mostly small goods and cheap handsaws—short handsaws.

Senator HEYBURN. Do you know how the wages in that country compare with the wages in this country for relative work?

Mr. ATKINS. I just took a little note of that. I have the wages in Germany, paid by Goldenberg & Co., at Zurhoff. I have these figures from one of our own men, a native of Alsace. He went home a year ago, or about a year and a half ago, and I asked him while he was at home to investigate those matters in the factories around Strassburg. There are several large saw factories near Strassburg. They pay their foremen 4 marks a day, and the other labor averages about 3 marks a day. That is for a day of 10 hours.

Senator HEYBURN. That is equivalent to what in this country? What price for the same work is paid in this country?

Mr. ATKINS. We pay our saw smiths, who would come under the same category as labor here, from 40 to 47½ cents an hour on day-work, and on piecework they will run from 40 to 65 cents an hour.

Senator SMOOT. That is 7.2 cents an hour in Germany.

Mr. ATKINS. Yes. In France a saw smith gets 1 franc per hour, a saw filer from 80 to 90 centimes, a toother from 70 to 75 centimes, and a machinist 90 centimes, for a day of 10 hours.

Senator HEYBURN. Now, give us the relative wages in this country.

Mr. ATKINS. Our wages for a saw smith, as stated, are 40 to 47½ cents.

Senator SMOOT. Give their wage per hour in connection with that.

Mr. ATKINS. One franc in France; a filer, 80 to 90 centimes in France. Ours is 20 cents to 30 cents. I am giving the daywork price now. On piecework they will make more than that. A toother

in France gets 70 to 75 centimes; in America, 25 to 27½ cents. A machinist gets 90 centimes in France. By "machinist" they do not mean the operator of machine tools, as we do in this country, so much as they do the ordinary mechanic around the place as a handy man. Our wage is from 27½ cents to 37½ cents. I can not give you the figures for the wages in Sweden, because I do not know what they are paying.

Senator JOHNSON. Do you find your market entirely in this country?

Mr. ATKINS. No; we have some trade outside of the United States.

Senator JOHNSON. Where?

Mr. ATKINS. In Australasia, South America, and a little in Europe, the Philippines, Japan, and China.

Senator JOHNSON. You have to meet the competition, then, of the manufactured products of these other countries in your foreign trade?

Mr. ATKINS. To some extent, yes.

Senator JOHNSON. To the extent that you do export you meet their competition?

Mr. ATKINS. Yes; we are obliged to meet their competition.

Senator JOHNSON. What percentage of your manufactured product is exported?

Mr. ATKINS. About 5 or 6 per cent.

Senator SMOOT. Five or six per cent of your business?

Mr. ATKINS. Five or six per cent of our business. It is a very small item.

Senator WILLIAMS. Mr. Atkins, where did you get these figures about foreign prices?

Mr. ATKINS. I got those from our own man, who was a native of Strassburg.

Senator WILLIAMS. These prices of labor, I mean.

Mr. ATKINS. We got them from our own man who was in Strassburg. I asked him to go to some of the large factories on the other side and get me the relative prices for the different classes of work.

Senator KERN. Do you have agents abroad, and commercial men, soliciting trade in the different countries?

Mr. ATKINS. We have one man who represents us, and then we have the representation of a manufacturers' agent in New York who does business for us in foreign countries.

Senator KERN. You spoke about having a factory in Canada. How long have you had that there?

Mr. ATKINS. It was started in 1909.

Senator KERN. I think the committee would be interested in knowing the difference in the cost of manufacturing in Canada and here, if there is any difference.

Mr. ATKINS. Well, there is very little difference.

Senator KERN. The wages are very nearly the same here and there?

Mr. ATKINS. They are just about the same. Perhaps there may be a little bit of difference in favor of Canada. That is, the cost of production is a trifle less from a wage standpoint than it is in the United States, but it is not very much.

Senator GALLINGER. What induced you to go into Canada to establish a factory?

Mr. ATKINS. We had some trade in Canada that we felt we ought to maintain—particularly the lumber trade; that is, the large mill business. The development of those resources in Canada is increasing rapidly, and it is going to be a very large market in the future for our goods. We felt that we ought to have our own factory there. The duty on saws into Canada is 30 per cent, so when they passed their new laws we were obliged to go to Canada in order to maintain our trade at all.

Senator HEYBURN. To save that 30 per cent?

Mr. ATKINS. Yes.

Senator KERN. I suppose the transportation question had something to do with it, did it not?

Mr. ATKINS. Yes; to some extent it did.

Senator KERN. You realized that that country up there was developing very rapidly and increasing in population rapidly, and you wanted to be on the ground, I suppose?

Mr. ATKINS. We thought we had better grow with the country.

Senator SMOOT. England has a lower rate into Canada than America, has it not?

Mr. ATKINS. Yes; they have a preferential rate, and they are selling quite a large quantity of their goods in the mill districts, where we are having some difficulty in competing with them, particularly on circular saws.

Senator HEYBURN. Can you compete with them from your American factories?

Mr. ATKINS. Not at all; no.

Senator HEYBURN. And you are enabled to compete with them, because by going over there you save yourselves the import duty in that country?

Mr. ATKINS. Yes, sir.

Senator GALLINGER. You say the duty is 30 per cent in Canada?

Mr. ATKINS. Yes; 30 per cent.

Senator GALLINGER. And the preferential to England is about 33½ per cent, is it, or 30?

Mr. ATKINS. Oh, there is a difference. I am not sure now what it is. I can not be sure without looking into it. There is about 7½ per cent difference, I think.

Senator GALLINGER. The duty on English goods, then, would be about 20 per cent?

Mr. ATKINS. Well, I think it is about 7½ per cent differential.

Senator GALLINGER. Of course you can not compete, then, with England if the wages are the same?

Mr. ATKINS. No. Prior to the passage of the new tariff in Canada the wages of the sawsmiths were in the neighborhood of \$2.25 a day. When I first went over there to investigate the situation, a number of years ago, that was the price that was paid for sawsmiths. We are now paying in Canada, for the same class of work, 37½ to 40 cents an hour, or usually \$3.50 for a nine-hour day.

Senator KERN. How many other saw factories are there in Canada, approximately?

Mr. ATKINS. There are, I think, 18.

Senator KERN. And do they do extensive work?

Mr. ATKINS. Well, there are only four that turn out any large volume of business. The others confine themselves to special lines.

Senator KERN. Are some of them old established plants?

Mr. ATKINS. Yes, yes. There is one of them, Shirley & Dietrich, at Guelph that is quite an old established plant.

Senator SIMMONS. Mr. Atkins, you said awhile ago that the figures giving the rate of wages in France—was it not?

Mr. ATKINS. Yes; France and Germany.

Senator SIMMONS. Were obtained by one of your men?

Mr. ATKINS. Yes.

Senator SIMMONS. I do not think you stated at what time he obtained those figures.

Mr. ATKINS. About a year and a half ago.

Senator LODGE. I think you said that the man who was there, your man, was a native of Alsace?

Mr. ATKINS. Yes; he came originally from Strassburg. He was going home to see his mother, and I asked him as a matter of curiosity to give me these figures.

Senator SIMMONS. You referred to an increase in the price you were paying sawsmiths from the time you first set up your plant in Canada to the present time.

Mr. ATKINS. Yes.

Senator SIMMONS. How long has it been since you went into Canada?

Mr. ATKINS. I think it was about 1904—1903 or 1904—when I first looked into that situation with respect to the wages in our trade in Canada.

Senator SIMMONS. Yes.

Mr. ATKINS. We first went there in 1909.

Senator SIMMONS. At the time the wages of the sawsmiths was one rate—the lower rate that you mentioned; I do not remember the amount—

Mr. ATKINS. \$2.25.

Senator SIMMONS. When was that?

Mr. ATKINS. About 1903.

Senator SIMMONS. About 1903?

Mr. ATKINS. Yes.

Senator SIMMONS. And since that time you say it has been increased?

Mr. ATKINS. Yes.

Senator SIMMONS. To what?

Mr. ATKINS. To \$3.50 a day.

Senator SIMMONS. During that period has there been any increase in wages in this country?

Mr. ATKINS. Yes; there has been. There has been a gradual increase here. Our wages in 1903 for sawsmiths were in the neighborhood of 35 to 37½ cents an hour. Now they are from 40 to 47½ cents an hour.

Senator SIMMONS. Has that increase in wages in that industry been throughout the world, or just confined to this country and Canada?

Mr. ATKINS. I do not know. I think it has been confined to this country, so far as sawsmiths are concerned. Of course all labor has gone up.

Senator SIMMONS. Throughout the world?

Mr. ATKINS. Well, throughout the United States, and I presume throughout the world.

Senator SIMMONS. Have not wages generally throughout the world increased during the last seven or eight years?

Mr. ATKINS. Oh, I think they have. Yes; they have.

Senator McCUMBER. Have they increased in the same percentage outside of the United States and Canada that they have in the United States or Canada?

Mr. ATKINS. Well, I could not tell you about that.

Senator SIMMONS. In this comparison of wages in your industry in Europe and this country, you refer only to the rate per hour or per day?

Mr. ATKINS. Yes.

Senator SIMMONS. Have you any information to give the committee as to the relative efficiency of the labor and the effect of the difference in efficiency upon the wage cost in the two countries, or in the several countries?

Mr. ATKINS. Well, there is just this about it: I had a talk last summer with the superintendent of Sanderson Bros. & Newbold Saw & Steel Works in Sheffield, with reference to the manufacture of what are known as Russian crosscuts. They are cheap crosscuts that are used by the Russians almost exclusively. They wanted to furnish us the material for making those goods. They have a very large trade in Russian crosscuts. I told him I did not believe we could meet the market on Russian crosscuts, and that it would not pay us to try it. I asked him what his cost of production was on a three and a half foot 18-gauge Russian crosscut, not filed or set, and he told me that their labor cost on that saw was 4 cents apiece. We took some orders for Russian crosscuts on the basis of the market price, and we kept the cost very carefully. Our cost of production on those saws (our labor cost, the bare labor cost), was 6 cents apiece, and we could not get it down below that. At that, the saws only hit the high places in going through the factory. That is, we put just as little on them as we possibly could. That is outside, of course, of the cost of the material itself. As to the efficiency of our workmen, so far as nicety of work is concerned, I think our people are rather better equipped than the foreigners are in those matters. The manufacture of circular saws and band saws is rather better in this country than it is abroad. That is, for nicety of the tensioning and leveling and all those matters. As to the output, I do not think there is a great deal of difference in the matter of the number of pieces turned out per day by their people and the number of pieces turned out per day by our people.

Senator SMOOT. You get a great many of your employees from the old country, do you not?

Mr. ATKINS. Yes; we have a number of them from the old country. You see, the saw trade was an English trade originally, and a number of our men came from England a great many years ago.

Senator SIMMONS. In making this saw for the Russian trade that you spoke of a little while ago, was that an experiment with you or had you been making that class of saws theretofore?

Mr. ATKINS. We had made those saws before. The price of the material was not an experiment. We knew how to make them.

Senator SIMMONS. So the only way in which you could reduce the cost would be by having a little better acquaintance with that line of work?

Mr. ATKINS. No; there was no increase on account of that. They went right through the ordinary process, just like a cheap handsaw.

Senator SMOOT. Mr. Atkins, you are interested in paragraph 37 of the House bill. The equivalent ad valorem duty upon the articles under that paragraph for the year 1910 was 24.73 per cent; and for the year 1911 it was 24.30 per cent. Now, suppose the House bill becomes a law and you receive but 12 per cent. What effect will that have upon your business?

Mr. ATKINS. As I figure it out it will reduce our profits to such an extent that we will not have any profits, making it absolutely necessary for us to make our saving in the cost of production and in the marketing of our goods. It will make the marketing of our goods more expensive by reason of more competition, which is the cause at the present time of the high ultimate cost of our goods. We would not be able to handle the situation at all unless there were an opportunity to buy our labor on the same kind of a market that foreign labor is procured upon.

Senator GALLINGER. There is no possibility of that, is there?

Mr. ATKINS. Not with a tariff bill that takes one industry or three or four and does not take the whole thing and level it all down. And then we open—well, I am not going into a tariff speech on this.

Senator HEYBURN. Well, we might have his conclusion on that. He is a practical operator.

Mr. ATKINS. If you do that, then you open the market to everybody and put the United States on the same basis with practically all foreign countries; and the result of that is that there is either no revenue to the Government at all by reason of our manufacturers meeting the market and keeping out goods, by their low cost of production, or else the foreign manufacturers take the market.

Senator SMOOT. Your figures are based upon the reduced rates on your raw materials, so called, as provided in the House bill?

Mr. ATKINS. Yes, sir.

Senator SMOOT. That is, in order to even meet the loss that you have stated here, the raw material's used by you in the manufacture of these saws must be reduced as provided for in the House bill?

Mr. ATKINS. Yes, sir.

Senator SMOOT. And if they should not be reduced to that extent the difference in the cost of your production would be still greater, and your loss under this bill would be still greater?

Mr. ATKINS. If we had to pay the present prices that we are paying now for raw material we would not have any saving at all on our raw material, and if we had to submit to the reductions of the tariff on the finished product, the total loss would be in the neighborhood of \$200,000.

Senator SIMMONS. What do you mean by saying you would not have any saving on your raw material? I do not catch your meaning.

Mr. ATKINS. I take the position that if we are to-day paying 10 cents a pound for steel for circular saws, a reduction in the duty would enable us to buy that steel at 8 cents a pound, for instance, or 8.1 cents a pound, because the foreign manufacturer would come in here with his material duty free or with a reduced duty to the extent

of so much a pound. That is a fact, because where we are importing as we are at the present time we are paying in advance of the American steel market on those classes of goods exactly the difference in the duty.

Senator SIMMONS. The sum and substance of that is this, as I understand you: If we take the duty off your raw material it would increase whatever rate of protection is allowed you that much, in effect?

Mr. ATKINS. If you take the duty off?

Senator SIMMONS. If we take the duty off of the raw material. Steel is your raw material.

Mr. ATKINS. Yes.

Senator SIMMONS. If we take the duty off of that, it will increase whatever protection is allowed you as a manufacturer of the finished product, pro tanto.

Mr. ATKINS. It might do that.

Senator SIMMONS. And if we reduce the duty on the raw material that will increase whatever protection is allowed you?

Mr. ATKINS. We could buy our raw material that much cheaper.

Senator SIMMONS. That is what you meant?

Mr. ATKINS. Yes.

Senator CLARK. What percentage of the cost of your product do you figure the raw material represents?

Mr. ATKINS. About 28 per cent; somewhere from 28 to 30 per cent.

Senator CLARK. And what percentage is labor?

Mr. ATKINS. Labor is just a little over the raw material—that is, actual shop labor.

Senator SMOOT. I was going to say, you mean actual shop labor?

Mr. ATKINS. Yes; say about 35 per cent.

Senator CLARK. I mean the cost of your product put on the market.

Mr. ATKINS. The cost of our product put on the market, taking an average over a period of 13 years, is about 8 per cent less than the selling price.

Senator CLARK. That would be 92 per cent. Now, what proportion of that—

Mr. ATKINS. The cost of our product does not include any depreciation charges or any interest charges on investments of any kind, in the way of shop rent, etc.

Senator CLARK. What I want to get at is, what proportion of that 92 per cent is material, and what proportion is labor, if you can tell us?

Mr. ATKINS. I have not the exact figures on that. I would have to give it approximately; but on the material it is along about 30 per cent of the ultimate cost.

Senator CLARK. What do you reckon in your ultimate cost save your material and your labor?

Mr. ATKINS. All shop overhead charges, such as operating expense account—

Senator SMOOT. All superintendence charges?

Mr. ATKINS. All superintendence.

Senator SMOOT. And the overhead charges?

Mr. ATKINS. The extra nonproductive labor that might be used around the plant.

Senator CLARK. Will you file with the committee for its information as accurately as you can the percentage that goes to each one?

Mr. ATKINS. I would much rather do that.

Senator CLARK. I would be glad to have you do that, and to have it go in with your testimony.

Mr. ATKINS. I would rather do it than to try to give it from memory.

Senator CLARK. Probably it would be more accurate.

Senator McCUMBER. And also, in connection with that, please make a table of the wages received in the old country, reducing it to the American standard of money, for the different characters of work, and, of course, in that state whether it is the rate per hour or per day.

The statement above referred to will appear in a later volume of the hearings.

Senator SMOOT. If the duty is very largely decreased, as is proposed in this bill, and you have to make economies, have you any expectation that you can economize much on the item of labor?

Mr. ATKINS. I am rather inclined to think that would be the most difficult part of the business at the present time, considering the position that labor occupies in the manufacturing business.

Senator SMOOT. The men that you employ are largely union men, in labor unions, are they?

Mr. ATKINS. In our whole force we have one trade that is a closed-shop proposition. It has been for a great many years. Then we have other union men in the factory; and, of course, whether we have union men or not, the rate of wages is regulated to a very large extent by the union labor; and with nonunion labor you can not differentiate between them and union labor to the disadvantage of the nonunion men.

Senator SIMMONS. Your contention is that you are at a disadvantage on account of the difference in the wage scale here and abroad; but you do not contend that there is any material difference in the cost of your materials here and abroad, do you?

Mr. ATKINS. There is, of course, a difference in the cost of our material here and the cost of material abroad.

Senator SIMMONS. I thought your raw material was chiefly steel, and I was under the impression from what I have been reading in the papers and elsewhere that you can make steel about as cheaply in this country as anywhere.

Mr. ATKINS. We buy our steel.

Senator SIMMONS. Of course you do. That is what I say. That is your raw material, out of which you make your saws. You do not contend that steel is higher in this country than it is in Germany and France, do you?

Mr. ATKINS. Oh, our experience has been that we can buy our material in this country and get just as good material as we can in other countries, except for certain purposes, where we want certain grades of iron, when we have been accustomed to buy foreign materials. But in cases of that kind, of course, there is always a difference in favor of our American manufacture on account of the duty on the foreign materials.

Senator SIMMONS. The question I wanted to get information upon is whether you, in making up that sum of the difference in the cost of production here and abroad, referred solely to the difference in the

labor cost, or whether you meant to have the committee understand you as saying that there was a difference also in the material cost—the material which goes into your product.

Mr. ATKINS. I see. I did not intend to convey the idea that that saving we are going to make had anything to do with the labor part of it at all. That is all material. I had no idea of bringing the labor cost into that thing at all. I was speaking of the saving on the raw material under this bill and the loss on the manufactured product under this bill.

Senator SIMMONS. I am afraid you do not understand me, or I do not understand you. You have said to the committee that you are at a disadvantage in competing with the foreign producer of your product. I want to know if you contend that that disadvantage is solely confined to the difference in the wage scale here and in competing countries.

Mr. ATKINS. Yes; that is all.

Senator GALLINGER. In other words, you do not contend that your steel costs you more than the German manufacturer or the English manufacturer pays for steel abroad?

Mr. ATKINS. In our line of business the German manufacturer is buying his material for less than we are at the present time, and so is the English manufacturer. I did not intend to make that comparison as between now and under other conditions.

Senator McCUMBER. How much cheaper do they buy the raw material, the steel out of which they manufacture their saws, than you have to pay for it in this country, if you know the difference?

Mr. ATKINS. I can not tell you the price they pay. I can only tell you the price they charge us.

Senator McCUMBER. Still you have a general idea that they buy cheaper?

Mr. ATKINS. I have an idea that they do. I think perhaps 10 per cent cheaper.

Senator SIMMONS. In your domestic market do you have to meet pretty sharp competition now, or any competition at all?

Mr. ATKINS. Oh, yes; we have very sharp competition.

Senator SIMMONS. Between you and other domestic producers?

Mr. ATKINS. Yes; very sharp competition.

Senator SIMMONS. Do you have to meet the competition of foreign producers to any extent?

Mr. ATKINS. Not to any great extent. They are importing some saws into the United States and selling them at the same price that we are.

Senator SIMMONS. Is not the importation into the United States absolutely negligible?

Mr. ATKINS. So far as the net results are concerned, yes. The importation of saws to-day amounts to \$55,000. But I may say, in explanation of that, that it would be an expensive matter for foreigners to come into the United States under present conditions and compete profitably, on account of their high selling cost. I presume that has a great deal to do with it, because the competition is now very keen in the United States among our own manufacturers, and they, of course, would have to build up their business. I presume that is the reason it is smaller than it would otherwise be.

Senator WILLIAMS. You were referring a moment ago to certain raw materials that you bought from abroad. Such as you do buy, do you buy because you buy them cheaper, or because they are of a certain quality that you are compelled to have.

Mr. ATKINS. We buy a certain quality that we want.

Senator WILLIAMS. Is it mainly Swedish stuff, or not?

Mr. ATKINS. It is made from a Swedish base.

Senator WILLIAMS. That is what I thought.

Senator SMOOT. The present law provides a specific rate, and the American manufacturer secures whatever benefit there may be in that specific rate; but the House bill provides an ad valorem rate. Do you think that under the ad valorem rate there would be undervaluations of saws imported into this country?

Mr. ATKINS. Well, I think that is almost inevitable, unless there is some provision made to take care of that particular situation, as there is in Canada. It is almost impossible to import into Canada on an undervaluation. They allow you from 5 to 7½ per cent differential there between your prices in the United States and the prices at which you bill into Canada. There was in some of the older tariff laws a certain provision of that kind; but I am satisfied from what I have known of the situation that a very considerable amount of undervaluation is present at all times, not only on the ad valorem, but in some cases I am inclined to believe it lops over onto the specific duties.

Senator SMOOT. Canada has an antidumping law, has it not?

Mr. ATKINS. Yes.

Senator SMOOT. And that prevents undervaluation to a great extent?

Mr. ATKINS. Yes.

Senator WILLIAMS. How could there be undervaluation on the specific duties? By understating the weight or yardage or something of that kind?

Mr. ATKINS. It could not be on saws that carry the specific duty, but on the material, where the price governs the amount of the specific duty.

Senator WILLIAMS. Oh, I see the line of demarcation between the two duties.

Mr. ATKINS. Yes.

The CHAIRMAN. Are there any further questions to be addressed to Mr. Atkins?

Senator SMOOT. Do you believe the present rate could be reduced and yet the manufacturers of saws in America be enabled to maintain their present trade?

Mr. ATKINS. We are just about on a balance now. English saws can be imported into the United States, duty paid, on their prices, at just about the American saw manufacturer's price at the present time.

Senator HEYBURN. On their cost price?

Mr. ATKINS. Yes; at the present time.

Senator SIMMONS. But you say, as a matter of fact, that they are not imported to any appreciable extent?

Mr. ATKINS. Not to any great extent; no. The English manufacturers and foreign manufacturers have not sought the American market in those lines very strongly.

Senator HEYBURN. With the reduction in the duty would their product not be imported to a larger extent, or at least with greater profit to the importer?

Mr. ATKINS. Oh, yes.

Senator HEYBURN. To the extent of the difference in the duty?

Mr. ATKINS. Certainly.

Senator GALLINGER. Is there any understanding between American manufacturers as to uniformity of prices?

Mr. ATKINS. No; they have no understanding among themselves.

Senator GALLINGER. There is open competition?

Mr. ATKINS. Perfectly open competition.

Senator WILLIAMS. You were talking a moment ago about making some Russian crosscut saws, and you said their labor cost was about 4 cents and yours was about 6 cents, as I understood you. After you had made these saws, were yours of the same quality, a better quality, or an inferior quality to theirs.

Mr. ATKINS. I should say they were about the same.

Senator WILLIAMS. About the same?

Mr. ATKINS. Yes.

The CHAIRMAN. Congressman Morrison, will you introduce the others of the Indiana delegation?

Mr. MORRISON. Mr. Chairman, and gentlemen of the committee, Senator Kern was compelled to leave, and he asked me to introduce Mr. J. D. Frederick, general manager of the Kokomo Steel & Wire Co., of Kokomo, Ind. The output of this factory consists of wire, wire fences, wire nails, and articles of that kind. It may not be the largest factory in the world, but it is the largest in our part of the world. I take pleasure in introducing Mr. J. D. Frederick.

STATEMENT OF MR. J. D. FREDERICK, REPRESENTING THE KOKOMO STEEL & WIRE CO., OF KOKOMO, IND.

Mr. FREDERICK. Mr. Chairman and Senators, I occupy the unique position here of being a manufacturer of steel articles the raw material of which is dutiable, the articles themselves being on the free list.

Senator SMOOT. What do you manufacture?

Mr. FREDERICK. We manufacture nails, barbed wire, and wire of all characters, farm fence, and a general line of wire products. We start with the billet. It is classified in the present House bill as steel ingots, billets, blooms, and slabs. It comes under that general classification. Nails are on the free list, as I understand; barbed wire is on the free list; and farm fence is on the free list.

Senator CLARK. Under the present bill?

Mr. FREDERICK. Under the present House bill. Steel ingots, blooms, billets, slabs, and so forth, are dutiable at 10 per cent ad valorem. It puts us in a position, of course, where we have to meet the competition of the world on our finished products, while we are forced to buy our raw material in a protected market. It struck me as being rather peculiar, and that if we have a reduction of duties, we should start from the ground up and gradually increase, or else we should start with no duties at all and gradually increase them, because the labor items lie in the processes furthest up the line. That is, if there is the protective idea dominant in a bill of this sort. Of

course if it is a matter of revenue, pure and simple, then it puts us in a position where the future looks rather dark. If we are to meet the competition of the world, we should at least have the right to go out into the world, into the open markets, and buy our raw material. That is about all I have to offer on this subject.

Senator GALLINGER. Do you think you could then compete with foreign manufactures, with their lower wage rate, even if you had open competition all along the line?

Mr. FREDERICK. In the steel business I believe American manufacturers are the leading producers of steel, and while the wages we pay per man are greater, I think the production of steel in this country is lower, based on ton cost than it is in any country in the world. That is my honest opinion. What I mean is this—

Senator GALLINGER. Then you think, do you, that you can produce the various items in the manufacture of wire with the present rate of wages in this country, as cheaply as they are produced in Germany and England with their low rate of wages?

Mr. FREDERICK. I think we can if they have only their present equipment of mills in those countries. If they get modern mills like ours, with their labor, they could produce them more cheaply than we could.

Senator WILLIAMS. What duty are you paying upon these blooms and billets under the present law?

Mr. FREDERICK. Under the present law it is on a sliding scale. The Payne bill mentions seven-fortieths of a cent, on a cost of three-fourths of a cent per pound.

Senator WILLIAMS. What I am getting at is this: The duty you are paying now is larger than that proposed to be paid in the House bill.

Mr. FREDERICK. I was going to add "if we could buy billets low enough." I do not think we can; I do not think it is possible to buy low enough to make anything. The price of billets is \$6.72 a ton. That is what we have to pay.

Senator WILLIAMS. And where do you sell your goods—your barbed wire and nails?

Mr. FREDERICK. Here in this country.

Senator WILLIAMS. You export none of your products?

Mr. FREDERICK. We do not export; no. We export a few to South America, but nothing of any consequence.

Senator WILLIAMS. About what percentage do you export?

Mr. FREDERICK. It is negligible.

Senator WILLIAMS. In the articles that you sell abroad what competition have you now—German and English?

Mr. FREDERICK. German and English.

Senator WILLIAMS. Do you know how much barbed wire is exported from the United States abroad? I do not mean from one factory, but generally.

Mr. FREDERICK. Exported from this country?

Senator WILLIAMS. Yes.

Mr. FREDERICK. There is a considerable proportion of it. I have not the paper. Mr. Atkins had it here. I think it is mentioned in that.

Senator WILLIAMS. A large quantity of it?

Mr. FREDERICK. Oh, yes; a great deal of it is exported.

Senator WILLIAMS. Then, if you do not export, and if other manufacturers do export, why is that? Is it because you can not manufacture as cheaply as other American manufacturers of the same goods can manufacture?

Mr. FREDERICK. No; I do not think that is the case. The object of the export trade of this country is to keep the plants of this country and the labor of this country employed. It is sold cheaper there. Their unit price would be cheaper than it would be, of course, in the home market; but that is necessary in order to meet competition abroad and at the same time to keep the plants running.

Senator WILLIAMS. I find here it is stated that the exports of barbed fence wire are, in round numbers, four and a third millions of dollars.

Mr. FREDERICK. Yes, sir.

Mr. WILLIAMS. And that the consumption is, in round numbers, nine and a half million dollars.

Mr. FREDERICK. Yes, sir.

Senator WILLIAMS. Do you mean to say that this four and a third millions of dollars is sent abroad not for profit, but merely to keep up and equalize and stabilize the American market?

Mr. FREDERICK. No; I do not make that statement, Senator. I do not know and I do not expect anyone would know.

Senator WILLIAMS. I thought you said a moment ago that that was the object of exporting.

Mr. FREDERICK. That is one of the objects.

Senator WILLIAMS. As a matter of fact the object of exporting is to make money, is it not?

Mr. FREDERICK. The object of exporting is to make money, of course.

Senator WILLIAMS. That is what I thought.

Mr. FREDERICK. But you must keep your plant running. If your plant only runs 50 per cent of the time the labor cost and the cost of production will at least increase double.

Senator WILLIAMS. I mean the object of exporting is to make money upon the goods actually exported, is it not?

Mr. FREDERICK. It should be.

Senator WILLIAMS. Can you explain this amount of exportation going on year after year upon any other basis than that?

Mr. FREDERICK. Only for the reason mentioned, Senator—in order to keep down to a low cost by keeping the plant running full. There is no other reason for it at all—absolutely none.

Senator WILLIAMS. I did not hear that.

Mr. FREDERICK. I say, for no other reason at all unless it be for the purpose of keeping the cost of production as low as possible in your own mills.

Senator WILLIAMS. And you think that four and a third millions would be exported for that reason?

Mr. FREDERICK. Barring a loss, I should say yes. I say it is possible. I do not say it is true, because I have not the figures.

Senator WILLIAMS. I will ask you this question: Do you think that four and a third millions of dollars of barbed wire is exported and sold at a loss to the American manufacturer, or without a profit to the American manufacturer?

Mr. FREDERICK. I should say not.

Senator WILLIAMS. Very well, then. Now, with the present duty upon the raw material, which is higher than that proposed in the House bill, we export that quantity at a profit. Is that true?

Mr. FREDERICK. I can not tell you as to the profit on the export business. I do not do any of it.

Senator WILLIAMS. All right.

Senator SMOOT. If a manufacturer should run his mill only 50 per cent of the time, he could neither export nor could he sell in his own country, could he?

Mr. FREDERICK. It would make a decided difference in his cost. He might be able to ---

Senator SMOOT. The cost would be so high that it would be impossible for him to export barbed wire or to sell it in this country, would it not?

Mr. FREDERICK. Well, I do not know that I would say yes to that question, because it would depend on what the market price was.

Senator SMOOT. He would have to meet the market price of the world. Suppose Germany were running 12 months and England were running 12 months in a year and we were running 6 months here. Do you think by merely running 6 months you could compete with them on the present rate of duty on barbed wire?

Mr. FREDERICK. You mean under the present rate of duty?

Senator SMOOT. Yes.

Mr. FREDERICK. If we were running 50 per cent and they were running 100 per cent, I should say we could not compete.

Senator SMOOT. As a manufacturer, you are sure that you could not?

Mr. FREDERICK. It would be impracticable.

Senator GALLINGER. What is the duty in the proposed bill?

Mr. FREDERICK. Ten per cent ad valorem; and about 50 per cent of our material is on the free list and open to competition.

Senator GALLINGER. What is the rate on the raw material under the present law?

Mr. FREDERICK. The effective rate is \$6.72, or three-tenths of a cent specific.

Senator SMOOT. If we had free trade in barbed wire and cotton ties, as the House proposes, do you think it would be very long before England and Germany would get the improved machinery and equipment that the American producer has and take this trade away from this country?

Mr. FREDERICK. It might be an incentive for them to get in competition with us, Senator. It would be possible for them to get into competition and to come in here. Even if they did not do it, it would be necessary for the American manufacturers to keep them out by putting their prices down very low.

Senator GALLINGER. You say that if you could have free raw material you would take your chances in competition with the world?

Mr. FREDERICK. Absolutely. I am willing to do that; but I do not want a duty on my raw material and be forced to go into a protected market to buy it and to sell my stuff in the open markets of the world. I am willing to compete with them as long as it rests in the gray matter, but I do not want the influence of the Government thrown against me. It is pretty hard to overcome a man sometimes and hold your own in competition; but when you throw th

strong arm of the Government out here against a man, it puts a person in a bad position. We employ 1,000 men and we have built up a large plant.

Senator GALLINGER. Could you compete, with any material reduction from the present rate on your finished product; and if so, at about what point would you put it?

Mr. FREDERICK. Well, I am not familiar enough with the export trade to really state what that should be, but I do not believe I would want a duty less than the duty on the raw material.

Senator GALLINGER. What is the present duty, reduced to an ad valorem basis?

Mr. FREDERICK. On nails?

Senator GALLINGER. Yes.

Mr. FREDERICK. You mean what was it before it was proposed to be put on the free list?

Senator GALLINGER. Yes; in the existing law.

Mr. FREDERICK. Twenty-five cents a hundred pounds is the duty. That is \$5 a ton on nails. I think the duty on farm fence is in the neighborhood of eight or nine dollars. I have not got that exactly.

Senator SMOOT. The equivalent ad valorem on nails in 1910 was 17.67.

Mr. FREDERICK. I think it is about 22 on barbed wire.

Senator SMOOT. In 1910 the equivalent ad valorem on barbed fence wire was 7.77.

Senator GALLINGER. It is proposed to put those articles on the free list?

Mr. FREDERICK. Yes.

Senator GALLINGER. What I wanted to have you elucidate is how much reduction you think you could stand on the existing duties. You have not figured it out, I suppose, have you? I believe you said 10 per cent.

Mr. FREDERICK. I am ready to go on the free list. All I am asking is justice. I am not asking for any special favors at all. I am willing to do anything this Government thinks best to do; and I am willing to go along and try it. But I do not want to be handicapped in the race.

Senator CLARK. You have a large establishment, have you?

Mr. FREDERICK. We employ about a thousand men.

Senator CLARK. It is a corporation?

Mr. FREDERICK. Yes, sir.

Senator CLARK. What is your capitalization?

Mr. FREDERICK. A million.

Senator CLARK. And that million represents an actual outlay of that amount, paid-up capital?

Mr. FREDERICK. Oh, yes; we have pretty near two millions invested in our property.

Senator CLARK. You have pretty near two millions invested in your property?

Mr. FREDERICK. Yes, sir.

Senator HEYBURN. Under conditions where you would be compelled to run on half-time, would you be able to hold your labor forces together from time to time over the intervals of inactivity?

Mr. FREDERICK. Only if the general industrial conditions of the country were the same. As long as men can not get work some place else, they will stick.

Senator HEYBURN. When you resumed work, you would have to resume with new crews. You would not be able to carry your old men over during the inactivity, would you?

Mr. FREDERICK. If everybody was in the same condition, they would have no place to work.

Senator HEYBURN. That is obvious.

Mr. FREDERICK. I mean as long as the general industrial conditions are the same, are uniform, if you are not suffering any differently from the rest of the industries of the country, your men will stay with you. But if they can go some place where they can get employment they will leave you.

Senator HEYBURN. In the absence of that condition then they would stay with you without receiving wages?

Mr. FREDERICK. Oh, yes; I presume so.

Senator HEYBURN. It would produce some disaster for the working forces to be idle six months?

Mr. FREDERICK. Surely.

Senator HEYBURN. So that if you run at no profit and keep your mills employed, as you have suggested, it would be merely to hold your crews together?

Mr. FREDERICK. We do that often; sometimes run at a loss.

Senator HEYBURN. To hold your crews together?

Mr. FREDERICK. Yes, sir.

Senator HEYBURN. So that you will not lose your experienced and qualified men?

Mr. FREDERICK. All those things have to be taken into consideration by a manufacturer.

Senator SMOOT. And it pays you many times to run at a loss for the purpose of holding them together?

Mr. FREDERICK. Oh, yes.

Senator CLARK. Under present conditions how full time do your mills run, how nearly full time?

Mr. FREDERICK. At the present time we are running full. Prior to this, for the last two years we have run about 75 per cent.

Senator HEYBURN. Why was that?

Mr. FREDERICK. General depressed condition of business. Overproduction accounts for it, to a certain extent.

Senator HEYBURN. Is it due to any extent to competition, or the importation of competing goods?

Mr. FREDERICK. There has been a little expansion of the steel business in the last two years. New factories came in; which, of course, affects everybody in the business.

Senator CLARK. Was there less consumption of your material generally throughout the country during those years you were running three-fourths time?

Mr. FREDERICK. I do not think the consumption was lessened a great deal. Basing it on nails, we have been producing about 14,000,000 kegs of wire nails a year, and I think we are consuming about the same number of nails.

Senator CLARK. And you think there was about the same consumption during the time you were running on three-fourths time?

Mr. FREDERICK. I think so; pretty nearly the same consumption.

Senator HEYBURN. Any importation results in a displacement of your product on the market?

Mr. FREDERICK. The importations into this country are nil. The duties are prohibitive.

Senator CLARK. I can not quite get the matter straight in my mind. You say the consumption of the products of your mills, and of those of like character, has been about uniform during the last few years.

Mr. FREDERICK. The consumption of the products.

Senator CLARK. And yet, while you are now running on full time, during a portion of that time you were running on three-fourths time. Does that mean you are now producing in excess of the consumption?

Mr. FREDERICK. No; it does not mean we are producing in excess of the consumption; it means that this particular period of year the trade is naturally active. There has been a curtailment of purchases in this country. While it remains the same during the period of two years, progression means it should be greater, naturally. It has remained about the same, about 14,000,000 kegs, without any natural increase for each year.

Senator CLARK. I do not think I make myself clear. We will say that last year there was a consumption of 14,000,000.

Mr. FREDERICK. In the neighborhood of that, I should say; I have not got the statistics.

Senator CLARK. In the neighborhood of 14,000,000, during which period you were running on three-fourths time?

Mr. FREDERICK. About 75 per cent.

Senator CLARK. In this year the consumption is still 14,000,000?

Mr. FREDERICK. I do not know what it is now, you understand.

Senator CLARK. I understood you to say the consumption was uniform.

Mr. FREDERICK. I said the consumption has been in the past two years about uniform, about 14,000,000. I do not think it has increased proportionately with each year as it should increase.

Senator CLARK. What I am trying to get at is this—I suppose it is immaterial, really—but with the same consumption of the goods in your business, of your mill and others, why is it that during one period you run on full time and another period on three-quarters time, when you have the same consumption? That is what I am trying to get at.

Mr. FREDERICK. Production, of course, increases naturally. A mill runs full as the demand is great. You take nails and wire. The trade at this time of the year is stocking up in anticipation of a demand, and consequently your mills run fuller at certain seasons than at others.

Senator CLARK. I did not understand you at first; now is the time you do not understand me. I am speaking of the annual product and the annual consumption. I assume that when you run three-fourths time, you produce three-fourths of the product that you do when you run full time.

Mr. FREDERICK. Yes, sir.

Senator CLARK. Now, in running three-fourths time for one year, you produce sufficient to supply the demand and consumption; now you run full time during another period—

Mr. FREDERICK. Do you mean to include in this, Senator—just to get your idea—my statement that we are running full?

Senator CLARK. Certainly.

Mr. FREDERICK. I am talking about just two months in the year.

Senator CLARK. Then the first basis in the question was wrong. Did you run three-fourths time during the other years at the same period?

Mr. FREDERICK. I referred to the past two years, about three-fourths, or about 75 per cent.

Senator CLARK. Does that mean for the entire year?

Mr. FREDERICK. That means for the entire year.

Senator CLARK. This last year did you run full time?

Mr. FREDERICK. No; I said that now, just now, at the present time, we are running full. That was an incidental remark I dropped which may have confused you.

Senator CLARK. I have it straight now, that the general annual run is about three-fourths full time?

Mr. FREDERICK. About three-fourths now.

Senator CLARK. One year and another?

Mr. FREDERICK. That is, it has been in the past; you can not tell about the future.

Senator WILLIAMS. Just at this moment he is running full?

Mr. FREDERICK. Yes. I thought that confused you; that is why I wanted to clear that point up.

Senator McCUMBER. You stated that we can produce what to you is the raw material, the wire from which you make the nails and wire, barbed wire, whatever you manufacture, cheaper than they can produce it anywhere else in the world. How much cheaper? Can you give us an idea?

Mr. FREDERICK. I could not give you an idea as to that; no, sir. I only know from conversations that I have had with people who live abroad, and who operate mills similar to ours. Our superintendent, for instance, is an Englishman who ran a mill in England—his father did—and that same mill is in existence. Our mill produces 350 to 400 tons a day, while theirs produces 700.

Senator McCUMBER. That is the manufactured product?

Mr. FREDERICK. That is the manufactured product; yes, sir.

Senator McCUMBER. I am speaking now of what constitutes your raw material.

Mr. FREDERICK. Oh, what constitutes our raw material.

Senator McCUMBER. From which you manufacture. You have stated we can produce the steel here in America—I presume you mean steel wire?

Mr. FREDERICK. Steel of all characters.

Senator McCUMBER. And steel of all characters—cheaper than they can produce it anywhere in the world?

Mr. FREDERICK. I think that is true.

Senator McCUMBER. I wanted to get an idea of how much cheaper.

Mr. FREDERICK. I could not give you that figure. As I say, I know this because of my conversations with men who are familiar with operations over there. It is largely hearsay, and from the fact that in our own product our advancement has been so much greater than theirs, and knowing the advancement we have made in producing it in large quantity, that it applies to steel at the same time. I think Mr. Carnegie and some of the men who are familiar with the steel business have made the same statement. So I got my information from that source largely.

Senator McCUMBER. This bill is based, as I understand it, upon the revenue basis, and I am trying to ascertain whether there would be any probability of securing any revenue upon a 10 per cent ad valorem duty upon the raw material. If we can actually manufacture the raw material cheaper than they can abroad, then it looks to me as though we might be able to sell it cheaper than they can import it, even if there were no duty; and that being the case, that forces, probably, our own manufacturers to sell a little cheaper, and we would get no revenue upon the raw material.

Mr. FREDERICK. That is possible. There is, of course, back of this the question as to how much profit a man wants on his raw material. That is why I am interested in this question. If I can go out always and get competition, and get my raw material on the markets of the world, then I am in a fair position to compete with them. But if our people here in this country, protected \$2 a ton, decide they want to put that \$2 in their pockets, I am "up against it."

Senator McCUMBER. It looks to me as if under the situation as you present it there would not be much danger of any importation of either raw material or of the manufactured product.

Mr. FREDERICK. That might be true.

Senator McCUMBER. If they were both under the free list, or if there was a continuance of the 10 per cent on one and the other upon a free-list basis.

Mr. FREDERICK. That might be true so far as importations into this country are concerned. But that is no assurance to me that manufacturers of that material in this country will not put the price up on me \$2, or whatever your duty is.

Senator McCUMBER. The duty is lowered.

Mr. FREDERICK. I understand; but it will be somewhere along \$1.80 or \$2.

Senator SMOOT. Supposing we have nails and barbed wire free, and you, with your ability as a manufacturer of them, should go to England or Germany and erect there just as good a plant as you have here in America, and use the English and German labor, with your management of the business and the mill, and that wage is one-half, or even three-fourths, of what the American wage is—could you not drive your American plant out of business?

Mr. FREDERICK. Unless you reduced your wages to the same proportion. The question answers itself, Senator.

Senator SMOOT. So, if we are going to have a protected raw material, so called, for the manufacturer of cut nails and barbed wire and fencing of all kinds, and that should be the policy of this Government, as provided for in this House bill, could not the United States Steel Co., or your company—and I might say, would they not—go to foreign countries and manufacture those goods instead of manufacturing them in this country?

Mr. FREDERICK. I do not know. Of course that question of transportation charges enters in here, which is in favor of this country. I am taking your question literally and looking at it as a business man, and trying to answer it clearly and honestly. Of course you have the transportation charge from there over here.

Senator SMOOT. That is on local consumption, but not upon the exportation.

Mr. FREDERICK. If they are producing material in England to supply this market, and using English labor, as I understand you?

Senator SMOOT. Yes.

Mr. FREDERICK. Then they have their charges, freights, etc., from there over here, their transportation charges, which, of course, would be greater; and I do not know; it would not have to be very great to overbalance the labor cost of raw material, which is not very great, anyhow. So that I presume that they probably could not get in here on that basis, anyway.

Senator SMOOT. They could certainly make the exportations they are now making, could they not, because if we export nails and barbed wire to foreign countries, then we have to figure on that transportation; and our transportation to those countries would be just as great as the transportation from England and Germany.

Mr. FREDERICK. Often a little greater, I presume.

Senator WILLIAMS. If you could go over there and do that, why is not some one of your people already over there doing it now?

Senator CLARK. They have the tariff now.

Mr. FREDERICK. You have not got Americans in England. That is the only way I can answer that. The English people still do things as their forefathers did—with all due respect to our forefathers.

Senator WILLIAMS. So, after all, they can not compete with us, because they are lacking in our inventiveness, ingenuity, and intelligence. Is that your answer?

Mr. FREDERICK. I do not say that. I say it is more a habit they have got into.

Senator GALLINGER. You do not say that about Germany, do you?

Mr. FREDERICK. No, sir; Germany is a very progressive nation.

Senator WILLIAMS. You are now paying more duty upon your raw material than the proposed House bill fixes, are you not?

Mr. FREDERICK. We are not importing any material. I say, if we were buying in this market and if you added the duty at all times, it is possible we might have to pay more.

Senator WILLIAMS. What I mean is: The duty now fixed by law upon the raw material, blooms and billets, is larger than the duty proposed to be fixed in the House bill, is it not?

Mr. FREDERICK. Yes, sir.

Senator WILLIAMS. But notwithstanding the fact you are paying that, you are exporting and selling four and one-third millions of these things abroad?

Mr. FREDERICK. No, Senator, the man who is exporting is the man who makes all these things and owns the ore.

Senator WILLIAMS. Somebody is doing it.

Mr. FREDERICK. Somebody is doing it, but they are paying no duties and they are getting ore free.

Senator WILLIAMS. Your factory is not; but still you export a little.

Mr. FREDERICK. No; I said a negligible quantity, probably 100 pounds or 200 pounds.

Senator WILLIAMS. Whatever it is, you export something. I understand your factory is situated in Indiana?

Mr. FREDERICK. Yes, sir.

Senator WILLIAMS. The railway rates to the seaboard are immense factors in your business, are they not?

Mr. FREDERICK. We are not located for exporting.

Senator WILLIAMS. So your factory is not located well for export?

Mr. FREDERICK. No.

Senator WILLIAMS. Your railroad charges to the seaboard are a pretty good English and German tariff against you.

Senator CLARK. In the manufacture of your product, getting it to the consumer, placing it upon the market, what percentage does the raw material figure?

Mr. FREDERICK. About 50 per cent, I should say.

Senator CLARK. What percentage does the labor figure?

Mr. FREDERICK. Do you mean, now, the selling cost and everything?

Senator CLARK. Yes; I mean the cost to the consumer.

Senator WILLIAMS. Do you mean out of the total cost of the product what percentage does labor constitute?

Senator CLARK. Yes.

Mr. FREDERICK. You mean steel, I suppose; you do not mean the by-products, coal, and material of that sort? Did you mean to include that?

Senator CLARK. I mean all material. What I want to get at is the labor cost.

Senator WILLIAMS. What proportion?

Senator CLARK. What proportion is labor cost?

Mr. FREDERICK. I should say that would run around 35 per cent—35 to 40.

Senator SMOOT. Would that include overhead charges and superintendence and all productive labor?

Mr. FREDERICK. No; that would include producing labor and the sales cost and the superintendence. No overhead charges are included in that at all. It will run about 35 to 40 per cent.

Senator CLARK. That is simply the wages?

Mr. FREDERICK. That is the whole thing through to the selling end of it; absolutely no interest; no fixed charges; nothing of that sort.

Senator WILLIAMS. That is the proportion it would constitute of the cost of the article when it left the factory?

Mr. FREDERICK. Absolutely; rather, when it was put into the hands of the consumer, including the sales cost, and so forth.

Senator HEYBURN. Can you tell us approximately, in round figures, the wages of the thousand men you employ; what is your pay roll?

Mr. FREDERICK. It varies. The numbers of our men vary. Of course there are sometimes not 1,000; sometimes there are 800.

Senator HEYBURN. Estimate on 1,000.

Mr. FREDERICK. We run, I will say, \$2 per 10 hours in our plant; it runs right close to \$2.15.

Senator HEYBURN. For 1,000 men?

Mr. FREDERICK. That is per man per 10 hours; yes, sir.

Senator SIMMONS. I understand you to say that if they put your raw material in the free list you ought to have a compensatory duty at least?

Mr. FREDERICK. I said I was perfectly willing to go on a free market and compete with the world; but I want the same right in buying my material; I feel I should have that. If, on the other hand, it is the idea to put duty on raw material, then I feel we should have some duty on our finished product; yes, sir.

Senator SIMMONS. Now, I understand you to say that you think steel, your raw product, can be made as cheaply in this country as anywhere else?

Mr. FREDERICK. I think more cheaply, if you get the facts.

Senator SIMMONS. Do you mean to say that the producers of that raw material add the tariff to the price they charge you?

Mr. FREDERICK. I am afraid sometimes they do; yes, sir.

Senator SIMMONS. You are afraid they do?

Mr. FREDERICK. Yes, sir.

Senator SIMMONS. Then you think it can be made as cheaply in this country as it can anywhere else; but it is not sold as cheaply in this country as elsewhere. You think the tariff is the cause of that difference in the price here and elsewhere?

Mr. FREDERICK. It will enable them to get a higher price; there is no question about it. Otherwise the tariff is not a protective measure.

Senator SIMMONS. That is what I want to get, whether the producers of this raw material really add this 10 per cent duty to the cost they charge you.

Mr. FREDERICK. It will enable them to put their prices just that much higher.

Senator SIMMONS. Will they do it?

Mr. FREDERICK. I can best answer that question by giving you my experience. I imported 5,000 tons of steel from Germany to this country and laid it down at my mill at \$22.40, when billets were worth \$32 at Pittsburgh.

Senator SIMMONS. Do you add the duty?

Mr. FREDERICK. No; the duty was to be added to that, which made it \$29.25.

Senator SIMMONS. I understand you to say the producer of your raw material will add the duty he is allowed to the price he charges you, or part of the duty?

Mr. FREDERICK. Sometimes he will do it; I do not say all the time.

Senator SIMMONS. Do you add the duty that is allowed you now to the price?

Mr. FREDERICK. I do not make the price. Our competitors make the price on our product, absolutely. They not only produce the raw material, but make the price.

Senator CLARK. Who is it that makes the price?

Mr. FREDERICK. The leader of the industry, whoever it is that is able to control and name it.

Senator CLARK. Who is it?

Mr. FREDERICK. The United States Steel generally makes it. The American Steel & Wire Co. generally make the price.

Senator SIMMONS. Do you follow that price?

Mr. FREDERICK. Oh, yes, sir.

Senator SIMMONS. Then the price of that product is arbitrarily fixed in this country?

Mr. FREDERICK. Arbitrarily fixed?

Senator SIMMONS. Yes.

Mr. FREDERICK. It is like all prices; it is made by somebody.

Senator SIMMONS. It is not made by the law of supply and demand?

Mr. FREDERICK. Oh, certainly, it is governed by it; but somebody has to measure, to decide when the law of supply and demand is effective, when a price should go down and when a price should go up.

Senator SIMMONS. You think that somebody, whoever he may be, in fixing the price under the present law, adds the tariff protective duty?

Mr. FREDERICK. No; I did not say that.

Senator SIMMONS. But you said the steel company, the producers of your raw material, did it.

Mr. FREDERICK. I said they might, and they do. They have done it sometimes, that I know. I do not say that applies all the time.

Senator SIMMONS. It is because you are afraid, and believe they will do it, that you are asking that the raw material be put on the free list?

Mr. FREDERICK. Naturally, I want to be in as favorable a position and not be placed in a position where my property is jeopardized. That is all I am asking.

Senator SIMMONS. Leaving that, I understood you to say a little while ago that there are no importations into this country of your product, or practically none.

Mr. FREDERICK. I think not; practically none.

Senator SIMMONS. And you said, as I understood you, that it was because the tariff was prohibitive?

Mr. FREDERICK. Yes; that is true.

Senator SIMMONS. Then you have a prohibitive tariff on your product, and you are selling, as I understand, about one-third of your product abroad?

Mr. FREDERICK. You mean the industry, now; not me personally?

Senator SIMMONS. Yes; the industry.

Mr. FREDERICK. Yes, sir. I take the statistics that the Senator gave. I am sure they are right.

Senator SIMMONS. I want to ask you just one additional question, and then I will not detain you any longer. Are you selling your products in this country at the same price that you sell the one-third you export?

Mr. FREDERICK. Indeed, I can not tell you. I do not do any of that myself. My impression is that the price at the mill is lower for exports than it is for our domestic consumption.

Senator SIMMONS. Do you not know that it is?

Mr. FREDERICK. I say I think it is. I do not do it myself.

Senator SIMMONS. Can you give the committee any idea of how much lower it is?

Mr. FREDERICK. No; I can not give you that, except that they have to pay the freight to the point, and if they started with the same costs here, they would be at a disadvantage that much. I know they have to sell it lower.

Senator SIMMONS. And they are doing it.

Senator CLARK. I understand then, from your general statement, that in your view the present bill affords an undue advantage to the United States Steel Corporation, or to other companies that own their own source of raw material, over you gentlemen who have independent corporations, who have to purchase your raw material in the open market?

Mr. FREDERICK. There is absolutely no question about that; you are right, Senator.

Senator SMOOT. Are you a manufacturer of steel?

Mr. FREDERICK. We do not make the steel; we buy.

Senator SMOOT. I know your company does not; but I ask you, are you a manufacturer of steel?

Mr. FREDERICK. No; I am not a manufacturer of steel.

Senator SMOOT. You know nothing about the process?

Mr. FREDERICK. Oh, yes; I know something about the process.

Senator SMOOT. Have you ever worked in a plant?

Mr. FREDERICK. No; I have not.

Senator SMOOT. Do you know anything about the cost of it?

Mr. FREDERICK. No; only what I get from technical books, and what I get from talking to men who know something about it.

Senator SMOOT. Newspaper reports, and so forth?

Mr. FREDERICK. No; not newspaper reports. I mean engineers, and so forth; men who know the steel business.

Senator SMOOT. You made the statement that you imported 5,000 tons of steel billets, at \$22 a ton, did you not?

Mr. FREDERICK. Yes, sir.

Senator SMOOT. That was from Germany?

Mr. FREDERICK. Yes, sir.

Senator SMOOT. And at the same time the price of steel billets in this country was thirty-two dollars and something a ton?

Mr. FREDERICK. Yes, sir.

Senator SMOOT. Do you think the American manufacturer made \$10 a ton upon billets at that time?

Mr. FREDERICK. He must have made more than that, Senator.

Senator SMOOT. Even more than that?

Mr. FREDERICK. Yes, sir.

Senator SMOOT. Because you think that it did not cost the American manufacturer \$22 to produce those billets?

Mr. FREDERICK. No; not when a few years before he had been selling them for \$14.

Senator SMOOT. With no change in the cost of material?

Mr. FREDERICK. I do not think so, sir.

Senator SMOOT. Then Germany could not compete when they were sold here at \$14?

Mr. FREDERICK. No.

Senator SMOOT. None came into this country?

Mr. FREDERICK. No.

Senator SMOOT. And you think that steel billets to-day could be made for \$14 a ton, do you?

Mr. FREDERICK. I do not know. As I say, I am only judging from reports. If you go to men who have billets to buy, they will tell you they cost a whole lot more than that, of course.

Senator SMOOT. Would they not know about it just about as well as a man who never worked in a mill?

Mr. FREDERICK. Surely. I say my judgment is based on reports compiled by the Steel Association, which records the selling price of this material through a period of years.

Senator SMOOT. And you state without hesitation or equivocation that steel products can be made in this country cheaper than in any country in the world?

Mr. FREDERICK. I have the statement of Andrew Carnegie, and some of those men who have been in the business for years, and they say it can be.

Senator SMOOT. He never made that statement until after he was out of business, did he?

Mr. FREDERICK. I think Mr. Schwab made the statement, too, if I am not mistaken.

Senator SMOOT. Mr. Carnegie made the statement. He said you could manufacture it as cheaply in this country as in any other country.

Mr. FREDERICK. I think he said you could make it cheaper.

Senator SMOOT. But they never said that until they had sold out.

Senator WILLIAMS. It was not to their interest to say it prior to that.

Senator SIMMONS. Does not Mr. Carnegie still own a large part of the stock of the Steel Corporation?

Mr. FREDERICK. It is said he owns something like three hundred millions of the bonds. I do not know whether he owns any of the stock or not.

Senator SMOOT. That is not stock; that is bonds.

Senator WILLIAMS. Your position, as I understand it, is, substantially, that if they put a duty of 10 per cent on the blooms and billets which you buy, they ought to put a duty of 10 per cent on the wire which you sell?

Mr. FREDERICK. That looks reasonable. They ought to put a duty which is proportionate, high enough to give the steel manufacturer protection.

Senator WILLIAMS. If they put your wire on the free list, they ought to put the blooms and billets on the free list?

Mr. FREDERICK. Absolutely.

Senator JOHNSON. If they make the same relative reduction upon your finished product as is made upon the raw material, would you have any complaint to make?

Mr. FREDERICK. If they make the same relative reduction on the finished product that they do on the raw material?

Senator JOHNSON. Yes.

Mr. FREDERICK. No; I would have no objection.

Senator JOHNSON. If the ad valorem duty upon the raw material—as I find the statement—was 21.85 per cent, as that is reduced to 10 per cent, that is a reduction of 11 per cent, is it not?

Mr. FREDERICK. Yes.

Senator JOHNSON. Eleven per cent plus.

Senator CLARK. It is a reduction of 50 per cent.

Mr. FREDERICK. You understand, I do not know what the value of the article is, and I do not mean to imply that that same relative duty, based on a specific duty, would apply; I mean based on an ad valorem duty. If we have a dollar or two dollars a ton on billets, if it is a protective measure and based on labor—and I understand that is the theory—from the statistics I have the total cost on bars from ore up is \$1.60 to \$2; the actual cost to us is \$2. The next time we moved up to wire it costs us \$2. So, if you are going to take an advancing ratio and protect it, based on labor, I would not find any objection to that. But, at the same time, I do not feel we should have a \$2 protection in the middle of a process that way, where it would cut these fellows off on this side of the dead line and protect the fellows on the opposite side. That establishes a dead line right in the middle of the steel industry and puts the fellows on this side in the hands of the fellows who own the business on the other side. I want nothing only fair treatment. I am willing to do anything

this Government decides is right. And I want to say that I am asking no advantages; I just want common justice between man and man.

Senator HEYBURN. Referring to page 25 of the report, I want to identify the item that constitutes your raw material. Is it steel ingots, etc., and sheets and plates and steel, or is it wire rods, etc., and iron and steel bars?

Mr. FREDERICK. You will find it in the bill.

Senator HEYBURN. But I want to identify it in the table of quantities exported. Which of those items is your raw product?

Mr. FREDERICK. It will come under steel ingots, etc. That means steel ingots, blooms, billets, etc.

Senator HEYBURN. I prefer it in this, because the quantity is in the table. I refer to this because it is in the table that gives all the information. Then that is your raw material? You speak of the raw material and the man at whose mercy you are. From what is that raw material made?

Mr. FREDERICK. That is made from pig iron; pig iron is from iron ore; ore is free. Pig iron carries a duty of 10 per cent, and so do billets.

Senator HEYBURN. Then the first item, "Iron in pigs, iron kentledge, etc.," represents raw material, from which they make your raw material?

Mr. FREDERICK. That depends, altogether. Usually the billet man who makes a billet has the ore and the furnace. If he has not the ore he buys the ore. Then he makes pig and converts that into steel and it is rolled into a bloom, which is a semifinished product.

Senator HEYBURN. I want to identify the item which you say constitutes your raw material. We imported last year \$3,533,621 in value?

Mr. FREDERICK. Yes, sir.

Senator HEYBURN. Under the proposed bill it is estimated that we would import \$4,375,000 worth of that raw material. The duties under the existing law collected last year were \$770,962. Under the proposed legislation those duties are estimated at \$437,500. So it would seem that we would lose on duties, and import about a million dollars' worth more of that material. I want these figures in connection with your testimony, to show the relative quantities and value of the product that would be imported under the proposed law as compared with the present importations. Would not the importation of another million dollars' worth of that raw material interjected upon the market have some effect upon it in this country and displace that quantity in our own market?

Mr. FREDERICK. There is no question about that.

Senator GALLINGER. There is one point I would like your opinion somewhat more definitely on. You say that in your judgment steel could be manufactured more cheaply in this country than abroad. That is a very indefinite statement. Can you give the per cent, 1, 2, 3, 4, or 5? It will go out to the world that you can produce steel more cheaply here than abroad. What is your opinion as to how much cheaper?

Mr. FREDERICK. I could not tell you that. As I said, Senator, my statement was based on the fact that we have larger units, and have been the leaders in the steel industry, largely. We have a variation

in units even in this country that is remarkable. The man who has the small mill in this country, although it is a modern mill, but where the unit is not sufficiently large, must have a higher cost than the fellow who has a unit large enough to get the stuff out most economically.

Senator GALLINGER. Are you absolutely sure? Have you any statistics to prove the correctness of your assertion that it can be produced more cheaply in this country than abroad, or is that an opinion?

Mr. FREDERICK. It is a fact, so far as my own belief and knowledge goes. If you want figures I can not give them to you.

Senator GALLINGER. If you have knowledge you must have some figures.

Mr. FREDERICK. I judge from facts. We have the ore, the finest coal in the world, and the character of manhood that no one else has got; then why should we not do it?

Senator GALLINGER. Because we have higher labor.

Mr. FREDERICK. But the labor item is so small in the raw material end of it, down at the bottom, 60 or 80 cents a ton on pig iron is so small—

Senator GALLINGER. You are speaking of the production of steel. That is not all cheap labor.

Mr. FREDERICK. It is not cheap. But I want to say that while the labor is higher, the unit of cost per ton is lower, because we produce it so much faster and more economically. I think that is true.

Senator GALLINGER. After all, your statement is based upon an impression rather than upon knowledge?

Mr. FREDERICK. If you mean by actual experience, I will say yes.

Senator CLARK. It is based rather upon what you have heard from others and what you have read in technical works and what you have gotten from men who are interested in the business?

Mr. FREDERICK. Who are interested in the business; yes, sir.

Senator CLARK. From Mr. Carnegie and some others?

Mr. FREDERICK. From engineers, men who are familiar with the operations of that business. I do not pose here as an expert on steel. I am only giving you knowledge such as I ordinarily get.

Senator SIMMONS. All of your testimony, except that about your own industry, is based practically upon the same foundation, is it not?

Mr. FREDERICK. No; I could not say that.

Senator SIMMONS. The bulk of it?

Mr. FREDERICK. If I should make that statement, then I would be saying that I know nothing except just a few things that I really have done. None of us gentlemen have a knowledge except that which we obtain from sources in which we have confidence.

Senator SIMMONS. I thought you said your testimony in reference to the cost of production of steel in this country and abroad was based upon general information.

Mr. FREDERICK. Yes, sir; I mean that.

Senator SIMMONS. Is not that true about your statements as to practically all the other things you talked about, except your own industry?

Mr. FREDERICK. Certainly.

Senator SIMMONS. You have not any experimental knowledge?

Mr. FREDERICK. No experimental knowledge at all.

Senator SIMMONS. You say in your industry, where the element of labor is larger than it is in the production of steel out of which it is made, you have no fears of your ability to compete?

Mr. FREDERICK. I say I am perfectly willing to compete with the world if I am put in position to do so. That is my situation. I do not say it would be the most desirable thing to do.

Senator SIMMONS. Labor is a very much larger element in your product than it is in the production of your raw material?

Mr. FREDERICK. Without any doubt at all; yes, sir.

Senator SIMMONS. And notwithstanding this alleged difference in labor cost, you say in your industry you can compete, and you are willing to undertake to compete, if you get your raw material free?

Mr. FREDERICK. I will leave that with the gentlemen who are running the Government.

Senator SIMMONS. That is what you say?

Mr. FREDERICK. Yes, sir; that is what I say.

Senator SMOOT. The manufacture of nails in England costs less, you say, than in this country; and the manufacture of barbed wire and barbed fencing also costs less. It will meet the difference in wages between your factory and a factory in Germany and in England in making the same article, will it not?

Senator JOHNSON. I did not understand him to say it cost less. Did you say it cost less in England to make nails?

Mr. FREDERICK. I said that on account of our methods we are producing this material—

Senator SMOOT. I want to get what the difference in wages is.

Mr. FREDERICK. I could not give you that information.

Senator SMOOT. You do not know what the production per man is, do you?

Mr. FREDERICK. No; I do not know that.

Senator SMOOT. Nor the cost of a unit of any kind?

Mr. FREDERICK. No.

Senator SMOOT. Therefore the statement you make is made from general information?

Mr. FREDERICK. If their raw material will cost them more money than they could purchase it for in this country, they would naturally be put up, and as they advance step by step, their prices would have to go higher. I could not go into that.

Senator SMOOT. Of course, in order to make a statement, the same as you do, we would have to prove it; therefore I wanted to know if you knew why the cost was less or why it was more, and if so, give the particulars.

Mr. FREDERICK. I think the only reason why their cost would not be less than ours is due to the fact that we have larger units and produce it more economically. There is no question about us paying our labor more, but I can not give you the relative per cent of it. And our labor is very efficient, and we make it very efficient by the mechanical accessories we use.

Senator SMOOT. If the same process of manufacture was undertaken, or was in vogue in England, they would produce cheaper than in this country because of the fact that the wages were less?

Mr. FREDERICK. That follows as a natural consequence.

STATEMENT OF MR. WILLIAM PIGOTT, OF SEATTLE, WASH.

The CHAIRMAN. Whom do you represent, Mr. Pigott?

Mr. PIGOTT. I represent the Pacific Coast Steel Co., of which I am a large stockholder and director.

The CHAIRMAN. At Seattle?

Mr. PIGOTT. At Seattle and San Francisco. We operate a rolling mill at Seattle, and just recently began operations at San Francisco.

The CHAIRMAN. How many men are employed in your establishments?

Mr. PIGOTT. We are employing in the neighborhood of 200 at each establishment at the present time; 250, I think, at San Francisco.

The CHAIRMAN. To what paragraph of this bill do you desire to refer particularly?

Mr. PIGOTT. Paragraph 2, referring to the duty on bar iron and steel.

Senator SMOOT. What is the production in your mill?

Mr. PIGOTT. Our mill at Seattle last year produced in the neighborhood of 12,000 tons.

The CHAIRMAN. Can you tell me the average wage of the men?

Mr. PIGOTT. The average wage would be in the neighborhood of \$3.50 a day; that is, beginning with the common labor at \$2.25, to the skilled labor, running up in some cases as high as six and eight dollars a day.

The CHAIRMAN. That is, common \$2.25, and skilled labor from \$3 up to six and seven dollars a day?

Mr. PIGOTT. Yes, sir.

Senator SMOOT. Do the English and German mills pay those rates?

Mr. PIGOTT. Senator, I am not in a position to say exactly what the difference is, but from the general information I have, from men in our employ who have worked in both places, I am advised that the wages in Europe for the same class of work are not over one-half of what we pay.

Senator SMOOT. Have you a better process of manufacture than Germany and England have in making bar iron?

Mr. PIGOTT. Not in our particular case, Senator.

Senator SMOOT. Has the United States Steel Corporation a mill located anywhere in the United States that has a superior process?

Mr. PIGOTT. I am in a position only in a general way to state facts in connection with the steel industry of the East. Although I lived in this country for a good many years and was engaged in the industry, my experience for the past 15 years has been on the Pacific coast, and my knowledge, and any information I might give you, would be in regard to facts as they exist there.

The CHAIRMAN. Is there any statement you want to make to the committee, Mr. Pigott?

Mr. PIGOTT. My statement, Senator, in brief, would be this: That we are undertaking to pioneer a new industry on the Pacific coast. We have the many disadvantages to contend with that are always connected with the development of a new enterprise, especially in a new country, and it is absolutely necessary, for us to succeed, that at least the present duty on bar steel shall be maintained. The present duty on bar iron and steel is three-tenths of a cent a pound, meaning \$6 a ton. The Underwood bill reduces the duty on bar iron and steel

to 10 per cent ad valorem, which, based on the cost of bar iron in Europe, would be about \$2 a ton. It means a reduction, in round figures, of about \$4 a ton, which, if it became effective, would mean that we would have to close our mills down on the Pacific coast.

Senator HEYBURN. Have you taken into consideration freight charges between Europe and the Atlantic seaboard or Pacific seaboard?

Mr. PIGOTT. Yes, sir; the Pacific seaboard.

Senator HEYBURN. The duties under the present bill are limited to the port of entry.

Mr. PIGOTT. I supposed that it was the usual duty f. o. b. port of shipment. But in that case it would mean a difference. Our freights on the Pacific coast from Antwerp, Germany, and Belgian ports vary from \$2 a ton up to \$6, depending entirely upon the competition in the shipping business.

The CHAIRMAN. It is all water transportation, is it not?

Mr. PIGOTT. Yes, sir; all water transportation.

Senator SIMMONS. Do you mean on these particular articles it varies from \$2 to \$6 a ton?

Mr. PIGOTT. Yes, sir; at times we have had rates as low as \$2.50; I will say \$2.50 instead of \$2, by sailing vessel, up to \$6 by steamship.

Senator SMOOT. Where do you get the most of the raw product from—Antwerp?

Mr. PIGOTT. Our competition comes from Europe. That is, the European mills make the price for us on the Pacific coast.

The CHAIRMAN. With the completion of the Panama Canal your position would be still more exposed, would it not?

Mr. PIGOTT. Still more exposed; yes, sir.

Senator SIMMONS. Could you tell us how much of that steel has come in to the Pacific ports, say, in the last year or two?

Mr. PIGOTT. For the fiscal year ending June 30, 1910, there were approximately 21,000 tons of steel bars and blooms imported into Pacific coast ports, that would come directly in competition with us.

Senator SIMMONS. You say some come in sailing vessels and some otherwise; averaging the freights, what do you think it would average?

Mr. PIGOTT. I would think the freights would average \$5 a ton.

Senator SIMMONS. So you have that advantage in the domestic market over your foreign competition?

Mr. PIGOTT. Yes, sir; as far as it goes.

Senator CLARK. Where do you get your material from on which you work?

Mr. PIGOTT. Our mills were developed out there on the scrap basis. We use scrap and pig iron. At San Francisco we use a certain percentage of scrap and a certain percentage of pig iron in making open-hearth steel. At Seattle we use all scrap at the present time. Most of the pig iron, up to the present time, we ship around from Alabama.

Senator SIMMONS. What is the labor cost of producing bar iron on the Pacific coast?

Mr. PIGOTT. The common labor, Senator, is, I would judge, about 10 to 15 per cent higher than it is in the East here. But the skilled labor is practically the same. We pay the same wages.

Senator SIMMONS. What I want to get at, for the benefit of the committee, is the total labor cost of producing a ton of bar iron on the Pacific coast, where your factory is; what does it cost you?

Mr. PIGOTT. We figure at the present time that our labor cost enters into the production of a ton of bar steel to the extent of about 25 per cent.

Senator SIMMONS. How much is that in dollars and cents?

Mr. PIGOTT. Bar iron, up to the present time, for a period of several years has cost us \$30 a ton to manufacture. The labor would be about \$7.50 a ton.

Senator SIMMONS. What is the difference, in your judgment, in the labor cost of producing a ton of that material in the countries that compete with you? It costs you seven dollars and some cents here; what does it cost there, to the best of your information?

Mr. PIGOTT. About one-half.

Senator SIMMONS. Then it costs about \$3 there?

Mr. PIGOTT. About \$4.

Senator SIMMONS. Then the difference is about \$4?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. And you say the freight to the Pacific coast is \$5?

Mr. PIGOTT. Yes.

Senator SIMMONS. Then you would have a dollar advantage on the freight alone?

Mr. PIGOTT. I did not quite catch that.

Senator SIMMONS. You said the labor cost here was something over \$7, and in Europe it was about half that amount. You estimated a difference of about \$4; it costs about \$4 more here than there. Now, I understood you to say a little while ago that the average freight rate was about \$5 a ton.

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. So that you have an advantage of a dollar a ton, offsetting the difference of the labor cost by the difference in freight.

Mr. PIGOTT. The average freight rate by steamer is \$5 a ton, when you ship by steamer.

Senator SIMMONS. But a little while ago you said some came in by sailing vessels at \$2.50, and some came in steamers, costing about \$6, or something like that; and then I asked you to average it, and you said the average would be about \$5.

Mr. PIGOTT. That is as far as the protection would be on freight and labor; I should think that would be about correct.

Senator SMOOT. That is the labor only?

Mr. PIGOTT. Yes.

Senator SIMMONS. You have an advantage of just \$1, as offsetting the difference in freight and the difference in labor. The American would have an advantage over his competitor on the Pacific coast of about \$1?

Mr. PIGOTT. That, of course, does not include a great many other expenses; but on those two items he has; yes.

Senator SIMMONS. I am talking about labor and freight only.

Senator SMOOT. That does not include overhead charges, or the expenses of your foremen, and all the help that is required?

Senator SIMMONS. I so understood him, Senator. I wanted the total labor cost.

Mr. PIGOTT. I referred there simply to the difference in cost of labor, Senator.

Senator SIMMONS. If the witness will pardon me, I asked you what it would cost to produce a ton of bar iron in this country, and you said about \$30. I asked you what the labor cost of producing that ton is, and you said 25 per cent.

Mr. PIGOTT. Twenty-five per cent; yes, sir. I had in mind there at the time confining that amount simply to the actual labor in the operation in the mills, because I supposed that was the point.

Senator SIMMONS. Of course, you can make any explanation about it you desire to.

Mr. PIGOTT. Yes, sir. The feature, in addition to that, is the lack of tonnage on the Pacific coast; that increases our cost.

Senator McCUMBER. Before you leave that subject, let me get the matter a little more clear on this question of transportation from the old country to the Pacific coast. Do you mean to say that taking all the iron that is shipped, all the steel of this class that is shipped from the old country, it will average \$5 a ton to land it in San Francisco or Portland or Seattle.

Mr. PIGOTT. No; that refers simply to bar iron.

Senator McCUMBER. These bars you are manufacturing?

Mr. PIGOTT. For the past year, or year and a half, freights have averaged \$5—for the past two years.

Senator McCUMBER. It would be \$5, then, to land it in Seattle?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. Say, from Germany?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. It would also cost \$5, or about that, to land it in San Francisco from Germany?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. What will it cost you to land it in San Francisco from Seattle?

Mr. PIGOTT. Our rate would be about the same.

Senator McCUMBER. How much?

Mr. PIGOTT. About four to five dollars a ton.

Senator McCUMBER. Then you would have no advantage except the advantage in your home town?

Mr. PIGOTT. That is the only advantage we have in the country there—that is, the local market.

Senator McCUMBER. Do you know, in the rebuilding of San Francisco and in the late very great building in Los Angeles, what proportion of this character of steel that was used there in their buildings came from Germany and what proportion of it came from your mills?

Mr. PIGOTT. About one-half. Our representatives at San Francisco and Seattle and different points on the Pacific coast, from the figures they have given us, indicate that even under the present tariff half of the bars that are used in San Francisco are imported.

Senator McCUMBER. How about Los Angeles; do you know about that?

Mr. PIGOTT. Exactly the same condition does not exist there—but to a more or less degree—from the fact that San Francisco, being a larger shipping town, has the advantage of numerous vessels plying in and out, and therefore more competition.

Senator McCUMBER. Then, under present conditions, in your field of consumption Germany, or Europe, comes in and takes one-half of the American trade?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. What, then, would be the result if we reduced the tariffs as indicated in this bill, as to their increasing their trade and your diminishing yours?

Mr. PIGOTT. If the tariff was reduced on our product to 10 per cent ad valorem, it would be impossible for us to operate our mills.

Senator McCUMBER. And then the foreigners would get all the trade along the coast, would they not, practically?

Mr. PIGOTT. Practically, yes.

Senator McCUMBER. They can not ship from Pittsburgh to San Francisco by rail and compete with the foreign manufacturers, can they?

Mr. PIGOTT. No, sir. It would cost at the present time about \$1.90 or \$1.95 a hundred pounds—that is, eastern steel f. o. b. San Francisco—and the foreign steel is selling there to-day approximately at \$1.60. You can buy foreign steel in San Francisco to-day at least \$5 a ton lower than you can buy steel made at Pittsburgh.

Senator McCUMBER. Then the only competition that the foreigners can have in all of this western coast trade is the competition that must be built up in our own country on the western coast?

Mr. PIGOTT. Yes, sir.

The CHAIRMAN. If it was not for that local competition, the foreign manufacturer could raise prices on you, and you would be at his mercy, would you not?

Mr. PIGOTT. They could raise them to the point of the Pittsburgh price, plus the freight rate.

Senator SMOOT. You do not make structural steel, do you?

Mr. PIGOTT. No, sir.

Senator SMOOT. Is it not a fact that a great deal more than half of the structural steel that has been used in San Francisco in the last few years has been imported from Germany?

Mr. PIGOTT. I do not think so, Senator, from my knowledge of the business. I do not believe that half of the structural steel used in Frisco was imported from Germany, although there was quite a lot of it.

Senator SMOOT. You do not remember?

Mr. PIGOTT. I do not remember; no, sir.

Senator McCUMBER. I have been informed—and that within the last two or three days—that the German trade practically has a monopoly of the structural steel that is now being used in Los Angeles. Do you know anything about that?

Mr. PIGOTT. I do not believe they have a monopoly of it, Senator; but I think they could secure a monopoly if they went about it and pressed the business as hard as the Americans do there. As a matter of fact, we still secure iron out there simply and solely on the fact that we are able to make quick deliveries, and get some tennage that way we would not otherwise get. But the German and Belgian manufacturers are quoting steel of all kinds f. o. b. Pacific coast points less than the eastern manufacturer.

Senator JOHNSON. How many manufacturing plants like yours are there on the Pacific coast in the same kind of business?

Mr. PIGOTT. There is one at Los Angeles; one at San Francisco, outside of our own; the Southern Pacific road have a small mill over at Sacramento; and there is a mill located at Irondale, Wash. There are seven mills of this character on the Pacific coast.

Senator SIMMONS. Where did you say yours was located?

Mr. PIGOTT. The parent mill is located at Seattle. We are now engaged in the business at San Francisco as well; we have a mill at San Francisco.

Senator SIMMONS. There is an American plant, then, at Los Angeles?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. Two at San Francisco, and one at Seattle?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. And you say there are three of four more on the Pacific coast?

Mr. PIGOTT. That includes them all, except the mill at Portland.

Senator SIMMONS. One at Portland?

Mr. PIGOTT. One at Portland; yes, sir. However, that is one of our three mills.

Senator SIMMONS. In the Seattle market, where you are located, you have an advantage of \$5 in freight over the foreigner?

Mr. PIGOTT. We have no advantage.

Senator SIMMONS. There is a difference in the Seattle market. You do not have to pay any freight except the mere delivery charge; you do not have to pay any freight rate in the Seattle market?

Mr. PIGOTT. Except to the territory we ship to.

Senator SIMMONS. Your competitor has to pay an average of \$5 freight?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. That is true of the factory at San Francisco, in the San Francisco market?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. And it is true at Los Angeles, in that market; and true at Portland, in that market?

Mr. PIGOTT. I think \$5 is a maximum average.

Senator SIMMONS. If any of these factories, either at Portland, Seattle, San Francisco, or Los Angeles, ship into the interior they would have to pay a certain freight rate?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. Likewise, would not the foreign product that is imported to any of those points?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. The freight rate would be the same in both instances?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. But it would cost you practically as much freight to get into any other market along your coast as it would cost the Belgian or German manufacturer to get into the same market?

Mr. PIGOTT. Yes, sir.

Senator SMOOT. And you have to pay your freight upon all the scrap you use and all of the material that goes into the manufacture of your bar iron?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. I understand you do not manufacture from ore, but entirely from scrap.

Mr. PIGOTT. Scrap and pig iron. And the fact that our trade is small, that we are in a new country and pioneering a new business, naturally makes it more expensive to manufacture iron there than it would be in other parts of the country.

Senator SIMMONS. You manufacture at Seattle. It would cost you \$5 a ton to put your product in San Francisco, but you do not ship it to San Francisco.

Mr. PIGOTT. We have shipped to San Francisco, but we do not intend to.

Senator SIMMONS. The local plant there supplies that market, so far as it is supplied by American manufacture?

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. Do you not think we ought to have a condition along that coast so that one manufacturer at one point can ship and sell his goods at another point along the coast as cheaply as the foreigner can?

Mr. PIGOTT. Yes, sir. The fact of the matter is that to-day the foreigner, under the new duty contemplated in the Underwood bill, can ship steel bars of all kinds to the Pacific coast cheaper than we can make them.

Senator SIMMONS. But take your own case. You enjoy in your local market an advantage of \$5 in freight rates over your foreign competitor. If you ship into the interior, you do not have to pay any more freight than your foreign competitor who ships to the same point into the interior.

Mr. PIGOTT. No, sir. But you see, Senator, there are other items that go into the cost of producing steel on the Pacific coast in comparison with the large industrial institutions of Europe other than the mere fact of that labor and freight.

Senator SIMMONS. The object of this questioning was simply on the line of offsetting the advantage the American enjoys in freight rates as against the advantage you claim the foreigner enjoys in wages.

Mr. PIGOTT. Yes, sir.

Senator McCUMBER. But assuming all that, the foreigner is shutting you up in your own little territory, while he is able to reach all the other principal points along the coast that you can not reach?

Mr. PIGOTT. Yes, sir.

Senator SIMMONS. But at all of those principal points you say there are factories, just as you have one in Seattle?

Mr. PIGOTT. But 75 per cent of the trade out there is confined to the principal cities, and if that market were taken away from us of course the remaining market would not be sufficiently large to warrant operations.

The CHAIRMAN. Have you anything further to state to the committee, Mr. Pigott?

Mr. PIGOTT. No; I just want to say this, Senator, that that is the condition out there on the Pacific coast to-day. We are all pioneers out there. We have no understanding in regard to prices, no combinations of any kind. We are all independent. The struggle out there for the last four or five years has been so hard, the tonnage so small, and the profits so light that we are hardly on speaking

terms with each other. So I want to say candidly, considering the conditions, that we are trying to build up a new industry in a new country, from which not a man connected with it has ever drawn a dollar in dividends—I have been in the business 10 years and never got a dollar out of it—we have a hard struggle there, and we need the protection that other institutions have secured to enable them to build up their industries, and if this duty is reduced to 10 per cent ad valorem we can not, under the conditions on the Pacific coast, manufacture steel as cheaply as the foreigner can lay it down at our doors and our mills at a profit. That is all there is to it.

Senator HEYBURN. Could you increase your capacity for production to meet the demands of that country if you were relieved of this foreign competition?

Mr. PIGOTT. Could we increase it?

Senator HEYBURN. Could you so increase your production as to meet these demands for steel in that country if you were relieved of the foreign importation?

Mr. PIGOTT. Yes; if we were relieved of foreign importation it would enable us to increase the output of our plants just double, practically.

Senator SIMMONS. Have you given figures to show the total amount of importations to the Pacific coast, taking it as a whole?

Mr. PIGOTT. Yes, sir; including the items I mentioned, about 22,000 tons. That, of course, has no reference to structurals.

Senator SMOOT. Just bar iron?

Mr. PIGOTT. Yes. I have confined myself to bar iron. I would like to have an opportunity of adding such data as might be pertinent to this question, or any other information you would like to have.

The CHAIRMAN. Any further statement in writing you may send to the committee, and it will be printed as a part of your presentation of your case.

Thereupon, at 12.55 o'clock p. m., the committee adjourned until to-morrow, Thursday, February 8, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 2

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED**

AUGUST 5, 1909

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THURSDAY, FEBRUARY 8, 1912

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GOVERNMENT PRINTING OFFICE
1912**

committee will then agree with us that the present tariff is too low, and we, therefore, suggest the following revision:

On bottle caps, if uncolored, 45 per cent ad valorem; if lacquered or enameled or lithographed or printed or embossed in color, 55 per cent ad valorem——

Senator GALLINGER. Did I understand you to say, Mr. Gitterman, that the duty under the present tariff—the Payne-Aldrich bill—is too low?

Mr. GITTERMAN. Yes, sir; for the imports have increased and our production has fallen off.

Senator GALLINGER. Then, in place of having a reduction, you want——

Mr. GITTERMAN. An advance, to compensate us for the duty on lead.

Senator SMOOT. Do you mean to ask for the rates you have just asked for provided the lead duty is but 25 per cent?

Mr. GITTERMAN. This last sentence will show. I only ask that, whatever the rate of duty is, we be protected for manufacturing. I was going to say:

And in addition thereto the duty per pound, including the weight of immediate wrappings and labels, shall be the same as imposed by this act upon a pound of pig lead.

We do not care what the duty on lead is if we are only protected for manufacturing.

Senator SMOOT. In other words, you want the specific duty on bottle caps the same as whatever the duty may be on lead?

Mr. GITTERMAN. Yes.

Senator SMOOT. Then an ad valorem duty of what?

Mr. GITTERMAN. Forty-five per cent, for manufacturing. Ours is chiefly labor.

Senator SMOOT. That would be a 50 per cent increase over the present duty, would it not?

Mr. GITTERMAN. I do not know. I have not worked it out. I do not know whether it is 50 per cent.

Senator SMOOT. The equivalent ad valorem duty on bottle caps is 50.24 per cent to-day. The equivalent ad valorem duty on bottle caps of metal, colored, lacquered, etc., now is 54.88 per cent. As I understand it, you want a specific duty of whatever rate is imposed upon lead, and, in addition to that specific duty, you want 45 per cent and 50 per cent?

Mr. GITTERMAN. Yes.

Senator SMOOT. Which would be even more than an increase of 50 per cent on the present Payne-Aldrich rate?

Mr. GITTERMAN. Fifty per cent on a tariff that is far too low. In Austria they have a tariff that is higher than we have here, where labor is probably a fifth as high as it is here. No one can import any caps from Austria to Germany, from Germany to Austria, from France to Germany, or from Germany to France, but they all dump their caps into this country. The duty sometimes is levied on the home-market value, but even that does not prevent all the European countries from dumping their goods into this country.

Senator SMOOT. What is the American consumption of caps of all kinds?

Mr. GITTERMAN. It is difficult to say, because we do not know what our competitors do. I think it is probably \$350,000 worth.

The CHAIRMAN. The value of the whole production, you mean? The imports are a little over \$300,000.

Mr. GITTERMAN. That is a mistake, then. I should say it is about \$550,000. That is only a guess, because I can not tell what the other three factories do. We do not know.

Senator GALLINGER. How much do you produce in dollars and cents a year?

Mr. GITTERMAN. I will give it to you exactly; \$127,000.

Senator SMOOT. How much?

Mr. GITTERMAN. \$127,000.

Senator SMOOT. And you say there are three other concerns?

Mr. GITTERMAN. Three other factories. There were six.

Senator SMOOT. Three others as large as yours?

Mr. GITTERMAN. No; I think we are the largest. I think so.

Senator SMOOT. If the importations amount to \$250,000, that would at least be 50 per cent of the American consumption, would it not?

Mr. GITTERMAN. Oh, yes. I do not think there are as many caps made in this country as are imported.

Senator SMOOT. And under the rates of to-day the manufacturers in America have decreased in number from six concerns to four?

Mr. GITTERMAN. Yes, sir; and our own production has fallen off.

Senator SMOOT. And instead of having a reduction, as provided for in the House bill, you feel that it is absolutely necessary for the salvation of your business to have an increase over the present rates?

Mr. GITTERMAN. Exactly.

The CHAIRMAN. That is all.

Mr. Schwab, we will hear you now.

STATEMENT OF MR. CHARLES M. SCHWAB, REPRESENTING THE BETHLEHEM STEEL CO.

The CHAIRMAN. Mr. Schwab, will you state your full name to the committee?

Mr. SCHWAB. Charles M. Schwab.

The CHAIRMAN. What company do you represent?

Mr. SCHWAB. The Bethlehem Steel Co.

The CHAIRMAN. Is there any particular paragraph in the bill that you address yourself to, or do you refer to the whole question?

Mr. SCHWAB. I refer to the whole bill, Mr. Chairman, but especially to that part of it dealing with the heavier steel products.

The CHAIRMAN. Proceed, please.

Mr. SCHWAB. Mr. Chairman, I have not prepared any formal statement to-day, that I might lay before you, but I come as representing only myself and my own company. We are the largest manufacturers of steel in the East, in the district that is most seriously affected by this proposed reduction in the tariff.

I have read with much interest the public criticisms of our methods, our wages, and conditions. I have read statements attributed to me with reference to the cost of manufacture that I desire to take this opportunity of correcting. I desire to make my statements gen-

erally, this morning, of a broad character, and I will then answer such questions as you may wish to ask for further information.

I have upon numberless occasions stated that, with equal conditions, steel could be manufactured as cheaply in the United States as in any country in Europe. This has been construed by many people into a statement upon my part that steel was made as cheaply, or could be made as cheaply, in the United States as in any country in Europe. That I do not believe to be true.

Some years ago, in the development of the steel business, American ingenuity and American methods made it possible for us to produce with some advantage over competitors abroad. However, the practical knowledge and possibilities of manufacture are now reduced to such a minimum that it is possible for people in any country to adopt the methods that prove successful here, or for us to adopt the methods that prove successful elsewhere; and the only real items that enter into competitive manufacture to-day are local conditions with reference to the supply of raw materials and labor. The mechanical appliances and the metallurgical processes throughout the world are about the same to-day; and, as I have before stated, with absolutely equal conditions, as to labor, especially, which constitutes the major part of the cost of making steel, we are prepared to compete with anybody, and shall ask no tariff; but if we are expected, and especially the manufacturers in the East, to maintain the conditions of wages and labor that maintain in the West, or approximately the conditions, where they are protected by long and heavy freight rates, then I want to state before this committee to-day that it is an impossible condition and one that we in the East can not meet.

We are located 100 miles from the sea. It costs us as much to put steel into New York Harbor as it does to put steel from Belgium into New York Harbor; and Belgium can put steel into Boston and the New England States at a lower rate of freight than we can, 100 miles away from the sea. Therefore it is my belief that the East is so peculiarly adapted with reference to the supply, as to quality, of raw materials that, with the proper protection to enable the workmen to receive the same rates they receive to-day, the East will grow in its importance in the steel business. With this tariff I have no hesitancy in saying what I said to the Senator a while ago—that I prefer to have no financial interest whatever in the manufacture of steel in the East under these conditions. I have spent in the last five years at my works approximately \$35,000,000 in the improvement and in the development of plants, and our business has grown some five or six hundred per cent; and I do not hesitate to say, and to say emphatically and with all the earnestness that I am capable of, that I regard that money as wasted.

The CHAIRMAN. How many men do you employ?

Mr. SCHWAB. The number we employ varies from 14,000 to 15,000 workmen, to-day.

Mr. Chairman, may I be permitted to say a word on the labor situation?

The CHAIRMAN. I wish you would.

Mr. SCHWAB. I have been reading criticisms published in the newspapers and in speeches in Congress furnished to the public. There is a statement concerning the wage earners at Bethlehem, published

by the Labor Bureau here, that gives an utterly false and unfair review of the situation.

I have been working in Bethlehem and living there during the last six years, and there has not been a plant in which there has not been a very liberal advance in wages. It has always been the practice in our industry, as I think in some other industries, that the rate per day per man for a given position is somewhat lower in valleys like the Lehigh and Schuylkill and the East than it is in the far West, where living is higher; and in this report I read that the great number of workmen that we have work 12 hours per day for 7 days in the week, with earnings at from 13½ to 18 cents an hour.

How they arrive at this conclusion I do not know. When they desired to investigate our works I freely gave them access to every paper and book that we had, expecting that everything would be fairly and honestly discussed; and I can not tell you how they arrived at their figures. But if you will note the very large number of apprentices that we have and bear in mind that the figures which I give you include these apprentices in my average, I want to say that, excluding all salaries of importance which might bring the average high by reason of large salaries of officers, superintendents, etc., the average earning of every man and boy we employed last year at the Bethlehem Steel Co. was \$788.80. That is the average of every man employed.

Senator GALLINGER. Including the apprentices?

Mr. SCHWAB. That includes the apprentices. It includes everybody except the salaried positions.

The CHAIRMAN. Except the overhead men?

Mr. SCHWAB. Except the overhead men.

Senator SMOOT. Do you remember what it was, excluding the apprentices?

Mr. SCHWAB. I have not got those figures. We paid in wages last year something over \$10,000,000.

Senator SMOOT. How large a proportion of your help would be included in the apprentice class?

Mr. SCHWAB. I can give it to you approximately, if you will permit me to.

Senator SMOOT. Yes.

Mr. SCHWAB. In this report, which has been given wide publication, they have, for example—

Senator STONE. What report is it?

Mr. SCHWAB. It is the report of the Bureau of Labor.

The CHAIRMAN. O'Neill's report.

Senator STONE. I just wanted to know what report it was.

Mr. SCHWAB. Yes. There are about 350 or 400 men that they class as apprentices.

Senator HEYBURN. And what is the total number?

Mr. SCHWAB. This report gives it at 9,184. I want to say one thing more with reference to how they arrived, in my opinion, at this report. They give in this report the number of the men who earn, let us say, from 16 to 18 cents an hour, and the number of men who earn less and the number of men who earn more. They do not give any average of the gross or total earnings of these men. I want to explain our system at Bethlehem. I should say that 80 per cent of the workmen we employ work under what we call the bonus system,

which is this, briefly described: A certain piece of work is fixed for each workman by our estimating department, and it is believed that a fair estimate of the time required to do that work would be, let us say, 10 hours. If the workman does the work in 5 hours, he gets 10 hours' pay for it. But if, perchance, through some mistake or lack of skill or any other reason he does not do it in 10 hours, we guarantee him a minimum wage below which he can not go, even though he does not fulfill the conditions of his requirement.

In this statement my opinion is that the people who have made it up from our books have used our minimum wage rather than the actual earnings of the workmen under that system. For example, I telegraphed last night for the wage rate of our lowest class of workmen during the last three months. I think I have the papers here. At any rate, I remember it. The workmen whose minimum wage was 13½ cents per hour during the month of December earned 21.1 cents per hour actually. That is, if we say a machinist is normally worth \$3.50 a day, we do not fix his minimum wage at \$3.50 a day, but somewhat under that, in order that a good workman, as he should do, will earn more than a less skilled workman. In other words, we endeavor to pay a man what he earns. The published reports of the United States Steel Corporation, for example, whose workmen are largely employed in Chicago and the West and Pittsburgh, where higher rates of wages prevail than at Bethlehem, show approximately the same wages as are received by our workmen at Bethlehem, where the wages have always been less. As I say, the average last year, 1911, was \$788.88 for every man and boy employed in the establishment. I know of no industry with which I am familiar in which the average wages of the workmen under those conditions are as high or as good.

The CHAIRMAN. How has the progression of wages been for the last 6 years or 10 years?

Mr. SCHWAB. In the general steel industry there has only been one year since 1900 when the wages of the workmen have not advanced. At the Bethlehem Steel Co., which I represent, there has been no year since my connection with it in which the average wages of the workmen have not been advanced.

Senator GALLINGER. This report to which you referred was rather startling to me when I read it.

Mr. SCHWAB. It was equally so to me.

Senator GALLINGER. And I hoped there was some mistake about it.

Mr. SCHWAB. Yes.

Senator GALLINGER. You now say to us that the average wage is much higher than the report shows?

Mr. SCHWAB. This report does not give the average wage.

Senator GALLINGER. But what about the accusation that is made in that report that you are working men 12 hours a day, 7 days in the week?

Mr. SCHWAB. That is quite true, sir. It is a condition that prevails in every steel works in the United States, and, so far as I know, in every steel works in the world. It is a metallurgical operation.

Senator GALLINGER. And the workmen are agreeable to that arrangement?

Mr. SCHWAB. I can only say that the steel interests a year ago met in New York with a view of changing this condition of affairs by putting on a sixth extra workman, and by making such changes as would give a workman one day a week off. The experiment is now being tried at one of the Steel Corporation's works in Pittsburgh, which we are following with great interest. We proposed it to our workmen, and almost unanimously they desired that the condition continue as it is at present. This class of men that work 12 hours a day for 7 days in the week are blast-furnace men. It is a continuous metallurgical operation, and somebody has to be employed all the time.

Senator GALLINGER. But that does not apply to your entire force?

Mr. SCHWAB. Oh, no. These are the men who work at the blast furnaces. All the others work 10 hours a day. We give all the workmen other than the blast-furnace men a holiday on Saturday.

Senator GALLINGER. So they work 5½ hours?

Mr. SCHWAB. Yes; but I do not want to create the impression that they work 5½ hours and get paid for 6 hours. They actually work 10 and 12 hours during the week, and then they have Saturday off.

Senator SIMMONS. I want to call attention to the fact that in the report they state that that seven days a week is not confined to those metallurgical operations.

Mr. SCHWAB. That is true. There are some situations in the rolling mills, but they are very few. But that is not the ordinary practice. But in any operation that is necessary, by reason of metallurgical conditions, to be continuous, the practice is to employ the workmen 12 hours a day. It is universal all over the world.

Senator SIMMONS. Do you not see the same thing in some other departments?

Mr. SCHWAB. It is only done, as I say, in continuous operations. You can take all our men in the engineering department—the machinists, mechanics, and laborers—all the men of that sort work 10 hours a day.

Senator SIMMONS. My recollection is that this article says that is done in every department where there is any such necessity.

Mr. SCHWAB. That may be, but it is not the rule, and it is not the practice. I would like to go just a little further, if you will pardon me, on this question, and to say that the workmen who are employed in this department are nearly all, or practically all, foreign-born workmen. They are the lowest paid and the least skilled of all the workmen employed in the steel industry, and they are practically unanimous in wanting to continue the seven-day-a-week employment.

Senator STONE. How many men do you employ?

Mr. SCHWAB. 13,000 to 15,000.

Senator STONE. And what per cent of foreigners?

Mr. SCHWAB. More than half.

Senator STONE. More than half?

Mr. SCHWAB. More than half.

Senator STONE. And of what nationality?

Mr. SCHWAB. Mostly southwestern Europe—Poles, Hungarians, Slavs, Russians—

Senator LODGE. Southeastern.

Mr. SCHWAB. Southeastern. I beg your pardon.

Senator STONE. Are they citizens of the United States?

Mr. SCHWAB. I can not tell that. I think in many instances they are, but mostly not.

Senator STONE. Were they brought here from Europe——

Mr. SCHWAB. Oh, no.

Senator STONE (continuing). To enter upon this work?

Mr. SCHWAB. Oh, no; not at all.

Senator STONE. Has nothing of that kind been done?

Mr. SCHWAB. Not within my knowledge. I have never heard of it.

Senator STONE. Were they engaged in this industry before coming to this country?

Mr. SCHWAB. No. As I say, it requires quite unskilled men. There is no skilled work about it. Anyone can do it the first day he comes into the mills.

Senator STONE. Is it or not a fact that large numbers of these men have gone right to these works after their arrival in this country?

Mr. SCHWAB. I think that is true; yes, sir.

Senator STONE. I did not mean to interrupt you. Go on.

Mr. SCHWAB. I should be very glad to be interrupted for the purpose of drawing out any information.

Senator STONE. Go on.

Senator SIMMONS. I want to call your attention, in connection with the seven-day-a-week work, to what they say in this report. It does not seem to me that you quite meet in your explanation what they say about it.

Mr. SCHWAB. Yes.

Senator SIMMONS. It says:

The investigation developed that the seven-day working week was not confined to the blast-furnace department, where there is a metallurgical necessity for continuous operation and in which department nine-tenths of the employees worked seven days a week, but it was also found that to a considerable extent in other departments, where no such metallurgical necessity can be claimed, productive work was carried on on Sundays just as on other days of the week.

Mr. SCHWAB. Yes, sir.

Senator SIMMONS (continuing):

For example, in some establishments the Bessemer converters, the open-hearth furnaces, and blooming, rail, and structural mills were found operating seven days a week for commercial reasons only.

Mr. SCHWAB. I think, as I stated to you before, there are exceptions. During the year, I think, 1909, there were times during great stress of business when some of the firms did operate continuously. For example, most of the steel that is made to-day is made by the open-hearth process. The open-hearth process is practically as continuous an operation as the blast furnace is. There are times when men have to be kept in attendance. The only men who do not leave the furnace are the men who put the metal in and take it out; and I can say to you that now I know of no works that make a practice of working 12 hours a day under those conditions. There are, as I said before, exceptions where they do, but it is not the general practice.

Senator SIMMONS. Do you think the rate prescribed in the present law is necessary to the success of your business?

Mr. SCHWAB. I certainly do. In the steel industry, to quote a knowing master, it is either prince or pauper. To-day, as in all the years gone by, we go through periods of depression so great that, no

matter what the investment or what the scale of the plant is, it is impossible to make money in the manufacture of steel. We are going through one of those periods at present. There must come periods of prosperity where the average will be right. Under this condition we will not have those periods of prosperity.

Senator STONE. You are opposed to any reduction?

Mr. SCHWAB. I am decidedly opposed to any reduction, and I speak especially with reference to us in the East, who have not the protection of distance and of the freight rate.

Senator STONE. Do you think there should be an increase in the rate?

Mr. SCHWAB. I think not. I think the present tariff is fair and sufficient.

Senator STONE. Did I understand you to say a little while ago that except for the higher-priced labor used by our manufacturers in this industry there would be no need of any tariff at all; that you could compete with the world?

Mr. SCHWAB. I did not say that; but I will explain what I meant by my statement. Only one-third of the actual cost of making steel at a steel works is labor. I said to you that the only real item of cost in the manufacture of steel was labor; but it is not necessarily expended in the manufacturing department of the works itself. For example, one of our great advances has been in freight rates; but the freight rates have only been advanced because of the higher wages the railroads have had to pay, not only to their own workmen, but in connection with the supplies that come to the railroads, which in turn means wages. If you analyze it back to its finality, there is nothing other than the value of the raw material in the ground that adds to the cost of any manufactured article but labor.

The CHAIRMAN. Mr. Schwab, the Bethlehem Steel Co. is one of the oldest steel works in the country, is it not?

Mr. SCHWAB. Yes.

The CHAIRMAN. When was it founded?

Mr. SCHWAB. I think it was founded 50 years ago.

The CHAIRMAN. Have you any affiliation with the United States Steel Corporation?

Mr. SCHWAB. We have none whatever with anybody.

The CHAIRMAN. It is independent. It controls the Union Iron Works, on the Pacific coast?

Mr. SCHWAB. At San Francisco.

The CHAIRMAN. Have you any statement to make regarding the effect of this legislation on the industry on the Pacific coast?

Mr. SCHWAB. We do not manufacture iron and steel on the Pacific coast. We are fabricators of iron and steel to-day. Since the last reduction of the tariff we have not shipped our pig iron from the East to the works in San Francisco. We do not ship it any more. I buy all that in China.

The CHAIRMAN. What would be the effect of this bill on the iron works on the Pacific coast?

Mr. SCHWAB. There are no manufacturers of steel or iron on the Pacific coast of any magnitude or importance, but naturally I feel that all our works consume in the West we would like to ship from our producing plants in the East, where we can produce it. The

West will not be a producer of steel for some years to come, because steel can only be made economically in very large quantities, and there is not the consumptive demand for it in the West. But, as I stated before, we have stopped shipping pig iron from the East now and are buying it in China.

Senator SIMMONS. I want to call your attention to another statement in this report that I have referred to. I do it because I am very much interested in this discussion.

Mr. SCHWAB. Yes.

Senator SIMMONS. I can not see, myself, how it is absolutely necessary that any man should be required to work seven days a week. You said a little while ago it was because, in the blast-furnace department, it was a matter of necessity.

Mr. SCHWAB. Yes, sir.

Senator SIMMONS. I want to read you what this report says about that matter of necessity.

It says:

Even in the blast-furnace department, where there is a metallurgical necessity for continuous operation, day and night, throughout seven days of the week, there is practically nothing except the desire to economize in the expense of production that prevents the introduction of a system that would give each employee one day of rest out of the seven.

Mr. SCHWAB. Quite true; that is quite true, sir.

Senator SIMMONS. If it is a mere matter of economy, why can you not relieve these men from that hardship?

Mr. SCHWAB. You want to reduce this tariff, and expect us to manufacture steel as cheaply in this country as it can be manufactured in every other country of Europe—

Senator SIMMONS. I am not talking about that.

Mr. SCHWAB. But I am coming to that. I make the broad statement to you that this is the universal practice all over the world.

Senator SIMMONS. That may be so, but—

Mr. SCHWAB. It is not possible to do it. It is not possible for any individual to do it and compete with all the others, as a practical question. The only way to do it is this: You must put on one-seventh more men, or one-sixth more men, and work those sixth men on the seventh day. That is all there is to it.

Senator SIMMONS. Do you not think that is the wrong place to practice economy, if as a result of practicing the economy you make men work seven days a week when it is not necessary?

Mr. SCHWAB. Unquestionably it is the wrong place to practice economy—on labor; yet if the gentleman will kindly point out wherein we can economize in any other direction—

Senator SIMMONS. I am not pointing out anything.

Mr. SCHWAB. No. I quite agree with you. There is no one who will more cheerfully subscribe to the fact that we want very high wages in America than I will. I want high wages for all, working five days a week, if you will; but we must be placed in a position where we can do it.

Senator SIMMONS. If you come to me and say that you have to work on Sunday as a matter of absolute necessity, I am not going to have very much controversy with you, but when you say that you work a man on Sunday, after he has worked 6 days, 12 hours a day, to save money, I can not agree that that is a proper system.

Mr. SCHWAB. I think it ought to be six days a week for every man. But this is a practical problem that the steel men in this country have worked over and pondered over and are experimenting on to-day to see how it can be done.

Senator GALLINGER. Following what the Senator from North Carolina has read from the report, there is another paragraph that I think is somewhat illuminating, if correct:

Other industries, where continuous operation is necessary, have found it entirely practicable to devise a system by which one day of rest out of each seven could be secured for each employee, and since the beginning of this investigation a committee of the American Iron and Steel Institute has taken up this subject and has proposed a plan which gives each employee one day of rest each week—

Mr. SCHWAB. Yes.

Senator GALLINGER (continuing):

and which does away with the 24 or the 18 hours of consecutive work now required when changing from the day shift to the night shift.

Mr. SCHWAB. That is true.

Senator GALLINGER (continuing):

The plan is now being given a test in a few plants, but it is too early yet to state how satisfactory it will prove or to what extent it may be adopted generally throughout the iron and steel industry.

Mr. SCHWAB. That is the experiment to which I referred.

Senator GALLINGER. The only observation that I would wish personally to make—and I dislike to interrupt you at all—

Mr. SCHWAB. I am very pleased to have you do so.

Senator GALLINGER (continuing). Is that if there is any way by which that condition can be corrected which requires men to work on the Sabbath in great industrial plants you and every man associated with you ought to bend your energies to obviating it—

Mr. SCHWAB. Mr. Senator—

Senator GALLINGER (continuing). And I think that fact would overcome a great deal of the criticism and prejudice that exists to-day against your industry.

Senator SIMMONS. Before you answer, I want to say, in connection with the paragraph Senator Gallinger has read, that I had read that and it struck me as very remarkable, if many other industries in this country where continuous work was necessary had found it possible to adopt a system that would relieve against that condition, that the biggest industry in this country had not followed them.

Mr. SCHWAB. That report is very general; but, as a manufacturer of a good many years' experience, I am obliged to say that I know of no industry where the necessity of continuous labor exists that does not work seven days every week.

Senator SIMMONS. What the Senator just read makes a contrary statement.

Mr. SCHWAB. I know; and I have referred to an experiment that we were making. The Senator refers to the same thing. We are endeavoring to devise ways and means of meeting the views of the public upon this matter. As I said to you, we are experimenting at three works to see if it can be successfully done. I do not mind saying that the chief opposition we have had and the chief difficulty have been from the men themselves.

The CHAIRMAN. Have you anything further to say?

Mr. SCHWAB. No. I should be very glad to give you any information with reference to the costs of steel here and abroad, as reasons for a tariff, if you desire that.

I have nothing more to say, except to make a final plea for the manufacturers of steel in the East, and the best evidence of my sincerity in this matter, Mr. Chairman, is the fact that after all my fortune invested in this industry in the East, after five or six years of the hardest possible personal work, I have never as yet taken 1 penny out of my industry as profit.

The CHAIRMAN. You have never paid a dividend?

Mr. SCHWAB. I have never paid a dividend; and I do not mind saying to you that with this investment in the East, with our \$10,000,000 of wages last year—a little more than that—with this investment in the East, if this tariff is to be what has been proposed, as I said this morning, I shall cash in the best I can and retire from the industry, because it can not be carried on.

Senator SMOOT. Yesterday there was a gentleman from Kokomo, Ind., here. He was a manufacturer of fence wire. He testified that steel and iron could be made in this country cheaper than anywhere on earth, and stated as his informants, or the source of information that he had received, yourself and Mr. Carnegie.

Mr. SCHWAB. Yes.

Senator SMOOT. Have you at any time made the statement that steel could be manufactured in this country cheaper than anywhere else?

Mr. SCHWAB. Assuredly not. I can not say that that has not been published, although I have never seen it; and I do say that whenever I have made the statement I have always said: "Under equal conditions; under the same conditions."

Senator SMOOT. Which means if the American workingmen receive the same wages as are received in Europe?

Mr. SCHWAB. Yes. Then we could make it as cheaply as it could be made any place.

Senator SIMMONS. Is not that true of everything? Is not that a self-evident proposition—if there were equal conditions here and elsewhere—in any and every industry?

Mr. SCHWAB. Well, you are taking rather a technical view. What I meant was equal conditions as to labor, sir. That is the only thing that enters into it.

Senator GALLINGER. Can you give us approximately, and yet with reasonable correctness, the difference in the wage scale in your industry here and abroad?

Mr. SCHWAB. Very gladly. In England the wages for the same positions, on an average, are just about one-half of what they are in Bethlehem.

Senator GALLINGER. Do you mean including the ordinary labor, or—

Mr. SCHWAB. Including all the workmen. The average earnings are about one-half. In Belgium it goes below that. I can not state it with the same accuracy, but probably it is in the proportion of $2\frac{1}{2}$ to 1; and in Germany it is about the same.

Senator WILLIAMS. Is that per diem, per hour, or how?

Mr. SCHWAB. The average earnings of the men per year, for the whole time.

Senator WILLIAMS. Could you not make a statement as to the average earnings per diem or per hour?

Mr. SCHWAB. I can. I told you that our average earnings last year were \$788.88 for every man and boy in our employ. So it is a question of dividing that by two—

Senator WILLIAMS. No; it is not.

Mr. SCHWAB. Why not?

Senator WILLIAMS. Because it is a question of the number of hours of work a day.

Mr. SCHWAB. I am assuming that they work the same number of hours per day.

Senator WILLIAMS. Do they?

Mr. SCHWAB. Yes.

Senator WILLIAMS. Do they work the same number of hours in Great Britain that they work in Bethlehem?

Mr. SCHWAB. Exactly.

Senator WILLIAMS. And do they work the same number or hours in Belgium that they work in Bethlehem?

Mr. SCHWAB. Exactly.

Senator WILLIAMS. And the same number of hours in Germany that they work in Bethlehem?

Mr. SCHWAB. It is the same all over the world in the steel industry in all the places of which I have any knowledge.

Senator WILLIAMS. They work the same number of hours?

Mr. SCHWAB. Yes, sir.

Senator WILLIAMS. Can you give us an idea of what proportion labor bears to the total cost of making steel?

Mr. SCHWAB. In the steel work itself, one-third of the total cost is labor; but, of course, another third is in supplies and railroad freights, all of which are affected by the wages in their industries.

Senator WILLIAMS. I understand that. The labor constitutes about one-third of the total cost of the production of the article as it is ready to leave the mills?

Mr. SCHWAB. In the works itself; yes.

Senator WILLIAMS. You say the wage in England is about one-half what it is here?

Mr. SCHWAB. About.

Senator WILLIAMS. About one-half?

Mr. SCHWAB. Yes, sir.

Senator WILLIAMS. If the total cost of the labor is $33\frac{1}{3}$ per cent, then the difference between the cost here and the cost there would be half of $33\frac{1}{3}$ per cent?

Mr. SCHWAB. In the mills.

Senator WILLIAMS. I understand.

Mr. SCHWAB. That is quite right.

Senator WILLIAMS. Of course, these other people are all getting their nips at the taxation system as they come along, and they plead "labor," too. That would be one-half of $33\frac{1}{3}$ per cent then, and that would be the percentage statement of the amount that would be requisite to put the cost of the labor in your mills upon an equality with the cost of the labor in Great Britain?

Mr. SCHWAB. Yes, sir; that is correct, practically.

Senator WILLIAMS. If you gave it all in the shape of protection?

Mr. SCHWAB. Yes; but, my dear fellow, the labor in the mills does not constitute the only labor that goes into the making of a ton of steel.

Senator WILLIAMS. I understand; but the other fellow is getting his nip here. I am speaking, of course, about the labor in the mill.

Mr. SCHWAB. You are getting into a technical argument that I can not go into.

Senator WILLIAMS. I am not going into a technical argument. I am asking you to reply to a plain common-sense question. I know so little about it technically that I can not ask you a technical question.

Mr. SCHWAB. That is evident.

Senator WILLIAMS. So, the total cost of the labor in the mills is about 33½ per cent by your statement; and Great Britain pays about half what we do, by your statement. That is what I wanted to get at.

Mr. SCHWAB. That is quite true—in the mills. I want that to appear.

Senator SMOOT. Or, in other words, if every other item of expense attached to the manufacture of steel was equal with every other country, then 16½ per cent would be necessary to protect you against the actual labor cost?

Mr. SCHWAB. Exactly so.

Senator WILLIAMS. And that proceeds upon the theory that your labor is no more efficient, that it turns out no more product per hour that it is employed than the foreign labor?

Mr. SCHWAB. That assumes that, of course.

The CHAIRMAN. Can you say what the tariff in Germany is on steel?

Mr. SCHWAB. I can not give it in detail; no, sir. It is two and a half to three times as high as ours here. Germany has made the greatest strides of any country in the development of its steel industry, and it has made it because it absolutely protects the home market. Germany has been next to the United States the last few years in its production. Their home market is absolutely protected, and it enables them, by reason of that situation, to take great volumes of foreign business. We can not ship steel into Germany, France, Austria, Russia or any of those countries. They are all protected by high tariffs.

Senator WILLIAMS. Do you export any steel?

Mr. SCHWAB. We do.

Senator WILLIAMS. In what forms?

Mr. SCHWAB. In several forms. We export structural steel, structural shapes, rails—

Senator WILLIAMS. Railroad steel, too?

Mr. SCHWAB. Yes.

Senator WILLIAMS. To what countries do you export?

Mr. SCHWAB. We export mostly to South America, the Philippines, Australia, and countries where we have long freight distances.

Senator WILLIAMS. Have you exported any to Siberia?

Mr. SCHWAB. Not in recent years.

Senator WILLIAMS. But you have in the past, however?

Mr. SCHWAB. In years gone by we have.

Senator WILLIAMS. Have you exported any to South Africa?

Mr. SCHWAB. We have.

Senator WILLIAMS. Have you exported any to Great Britain itself?

Mr. SCHWAB. No; never.

Senator WILLIAMS. You never have?

Mr. SCHWAB. No, sir.

Senator WILLIAMS. You have exported none, I understand you to say, to France?

Mr. SCHWAB. None.

Senator WILLIAMS. Have you exported any to Italy?

Mr. SCHWAB. Steel rails?

Senator WILLIAMS. Or structural steel.

Mr. SCHWAB. None whatever.

Senator WILLIAMS. Have you exported any sort of steel to Italy?

Mr. SCHWAB. None.

Senator WILLIAMS. Do you export to Canada?

Mr. SCHWAB. We do.

Senator WILLIAMS. There is a preferential rate in favor of Great Britain in Canada, is there not?

Mr. SCHWAB. I think there is. I say we send to Canada. I think we have not exported anything to Canada for some years, but we did three or four years ago. I think that preferential rate has come in since that time.

Senator WILLIAMS. How long has the preferential rate been in operation in Canada; do you remember?

Mr. SCHWAB. I can not tell you about that. I do not remember.

Senator GALLINGER. Quite a good many years.

Senator WILLIAMS. Can you or not say whether you have exported any there since the preferential rate has been in operation?

Mr. SCHWAB. To the best of my knowledge we have not. If we have, it has been very small.

Senator WILLIAMS. Would you mind putting in a statement later concerning that?

Mr. SCHWAB. I can say to you positively that in standard goods like rails we have not. If we have exported there it is something special that they do not make.

Senator WILLIAMS. I would be pleased if you would put in later a statement showing when you did export to Canada, how much you exported, and the character of the goods exported by you to Canada, accompanied by the date.

Mr. SCHWAB. The amount has been very small. The law of Canada will show when the law went into operation.

Senator WILLIAMS. Yes.

Senator HEYBURN. The conditions of labor have been made the text of most of the criticism of your works?

Mr. SCHWAB. Yes, sir.

Senator HEYBURN. Do any considerable portion of these foreign workmen, these noncitizenship workmen, become citizens of the United States?

Mr. SCHWAB. I think a good many of them do. A great many of them return to their native countries.

Senator HEYBURN. If you were to place your works on a 10-hour basis, can you approximate the difference in the cost of production—that is, by percentage?

Mr. SCHWAB. First of all, the greater part of our works is on 10-hour-a-day service.

Senator HEYBURN. Then these long hours are caused, you say, by the necessities of the blast-furnace operations?

Mr. SCHWAB. Yes.

Senator HEYBURN. Which is a metallurgical proposition?

Mr. SCHWAB. Yes.

Senator HEYBURN. Is the blast furnace a matter of continuation—that is to say, is it necessary for the same man to continue the operation because of the disadvantage or inconvenience of changing the shift during the blast?

Mr. SCHWAB. Not at all.

Senator HEYBURN. Then there would be no special inconvenience in changing the shifts during the blast?

Mr. SCHWAB. You could work the men at the blast furnace on three shifts of eight hours each.

Senator WILLIAMS. As a matter of fact, you are compelled to work them either on two or three shifts, are you not?

Mr. SCHWAB. Well, about the only practical way to do it would be to work them in two or three shifts. You could not very well work them 10 hours.

Senator HEYBURN. What I want to get at is whether there is anything in the mechanical operations of a blast furnace that would make it especially inconvenient to change the shifts?

Mr. SCHWAB. Nothing whatever.

Senator HEYBURN. Then it is merely a matter of convenience, or of expense to you that leads you to work them 12 hours?

Mr. SCHWAB. Instead of eight.

Senator HEYBURN. Of course, if you worked them only 10 hours it would increase the cost?

Mr. SCHWAB. And there is a practical difficulty when you work them 10 hours. You can not change 10 into 24.

Senator HEYBURN. We work men on 10-hour shifts in the mines.

Mr. SCHWAB. But this is not a mining operation.

Senator HEYBURN. But mines must work seven days in the week, and I am familiar with the question of the inconvenience and difficulty in changing shifts that involves the increase of the hours of the men going off or on.

Mr. SCHWAB. I can only say that we do not work our miners seven days in the week.

Senator HEYBURN. We do in the metals. We are compelled to, because of water conditions at the mines.

Mr. SCHWAB. In metallurgical conditions we do—at the blast furnaces only.

Senator HEYBURN. If you were to work the men at the blast less hours it would increase the cost of production proportionately?

Mr. SCHWAB. One-third.

Senator HEYBURN. And it would work no inconvenience except that of increasing the cost?

Mr. SCHWAB. That is all.

Senator GALLINGER. And reducing the wages of the workmen?

Mr. SCHWAB. Of course, if you pay the workmen the same for 8 hours as you would pay them for 12 hours, there is no reason why they should not work 8 hours a day.

Senator HEYBURN. You really pay them by the hour?

Mr. SCHWAB. By the hour-day.

Senator HEYBURN. And it is estimated on the hour basis?

Mr. SCHWAB. Yes; quite so.

Senator HEYBURN. Then, it is only a question of dollars and cents whether you work the men 12 hours or less?

Mr. SCHWAB. Whether we work them 12 or 8 hours in continuous operations; yes.

Senator HEYBURN. You would work three shifts?

Mr. SCHWAB. We would work three shifts instead of two.

Senator HEYBURN. I want to get at the question as affecting the condition of labor, because that is one of the principal complaints against your works. That is, that the grade of citizenship is affected by the fact that they work an abnormal number of hours; and there is some clamor that those men should be freed from these continuous services, in order that they might have more time to devote to their own personal affairs and advancement.

Mr. SCHWAB. That is so.

Senator HEYBURN. And I wanted to have the testimony show whether or not it was a physical business necessity, or whether it was a financial difficulty.

Mr. SCHWAB. You are quite correct in stating that it is a matter of cost. If you pay a man the same for 8 hours that you pay him for 12, it is only a matter of the cost. I want to state, and to get clearly into your minds, that while my works has been represented as the embodiment of this condition, if you read further on in the report you will find the situation in regard to 12 hours' work is exactly the same in every steel works in the United States. It is not an unusual condition at steel works.

Senator HEYBURN. It seems to be uniform. The men prefer to earn the extra money that results from working more hours?

Mr. SCHWAB. There is no question about that.

Senator HEYBURN. Has that question been submitted to the men in such a way as to draw from them a responsible expression of opinion upon that question?

Mr. SCHWAB. It has at our works, yes; and I understand from the manager of the works where they are trying this experiment that that is their difficulty. We can not get the foreign-born workmen to take their six days every week. They prefer the seven days.

Senator HEYBURN. Among our own miners, many of them object to being deprived of the opportunity of making extra or more wages.

Mr. SCHWAB. That is true.

Senator HEYBURN. They are willing to do the work. I wanted to get at the question as to whether or not there was any element of rebellion against this system among your workmen, or whether it only came from the philanthropic element outside of the works.

Senator WILLIAMS. I would like to ask this question, Mr. Schwab: Do you own your own ores?

Mr. SCHWAB. We do own much of it. We are also purchasers of ore, but we mine the greater part of our ore ourselves.

Senator WILLIAMS. What percentage do you purchase, and what percentage do you mine?

Mr. SCHWAB. Probably during the last year we purchased half, or a little less than half.

Senator WILLIAMS. Where are your ore mines?

Mr. SCHWAB. Mostly in Cuba.

Senator HEYBURN. Practically all of it is in Cuba?

Mr. SCHWAB. That that we mine. We do mine some in Europe, but the greater bulk of it is mined in Cuba.

Senator HEYBURN. I would like to refer for a moment to the Pacific coast proposition. You buy all of your ores in China?

Mr. SCHWAB. No ores. We buy pig iron.

Senator HEYBURN. You buy the pig iron, and the pig iron is produced in China?

Mr. SCHWAB. Yes.

Senator HEYBURN. Is that because of the cost of transportation from the eastern fields of production?

Mr. SCHWAB. Naturally.

Senator HEYBURN. Has the duty anything to do with it—the tariff?

Mr. SCHWAB. Nothing, except this: We can not pay freights and deliver to our Pacific coast from any point at which the pig iron can be economically manufactured in the States in competition with Chinese pig iron under the present tariff.

Senator HEYBURN. Is that the only competition?

Mr. SCHWAB. We have foreign competition as well—English and German competition.

Senator HEYBURN. I refer to the German competition.

Mr. SCHWAB. A good deal of steel comes to the Pacific coast from foreign countries.

Senator HEYBURN. Do you make structural steel?

Mr. SCHWAB. We do.

Senator HEYBURN. Did you furnish any considerable quantity of structural steel for the rebuilding of San Francisco?

Mr. SCHWAB. We did.

Senator HEYBURN. In competition with whom?

Mr. SCHWAB. With all the world.

Senator HEYBURN. No structural steel came from China?

Mr. SCHWAB. No, no. But it did come from Europe.

Senator HEYBURN. Principally from Germany?

Mr. SCHWAB. From Germany and Belgium.

Senator HEYBURN. Did the tariff embarrass you in competing with Germany in furnishing structural steel?

Mr. SCHWAB. Unquestionably, because with our higher rates of freight, as compared with theirs, it made it necessary for us to make exceedingly low prices on the steel for the Pacific coast, that was manufactured in the East.

Senator HEYBURN. What percentage of the cost of structural steel is wages?

Mr. SCHWAB. About one-third in all the heavy steel. From 30 to 35 per cent of the entire cost is labor.

Senator HEYBURN. Have you in mind the figures relative to the amount of structural steel, in value, that was furnished to San Francisco, say, for the first two years?

Mr. SCHWAB. I can not tell you that. I have not that data.

Senator HEYBURN. So you do not know in dollars and cents how much the competition with Germany cost you on that?

Mr. SCHWAB. In San Francisco?

Senator HEYBURN. Yes.

Mr. SCHWAB. I can not tell you that. It is not a figure that I have any knowledge of.

Senator HEYBURN. About what percentage of that steel came from Germany?

Mr. SCHWAB. It would be a mere guess. I have no definite data upon it at all.

Senator LODGE. Is it not true that on all exports the German Government give a low rate——

Mr. SCHWAB. They do.

Senator LODGE. On their railroads, I mean?

Mr. SCHWAB. Yes, sir; they do; and they have special inducements in every possible direction in Germany to stimulate the business.

Senator HEYBURN. That is true of the Asiatic trade, too?

Mr. SCHWAB. Yes.

Senator HEYBURN. It is true of all foreign trade.

Senator SMOOT. You have just made the statement that you export steel to South America, to Australia, and to other countries; do you charge a less price for the exported article than you do on the local market?

Mr. SCHWAB. We get less for it. It is not a question of what we charge, but what we are able to get. Notwithstanding the criticism I have heard of the fact that steel is sold for export at lower prices than in America, I am a strong believer in the system that we ought to sell our export steel, if necessary to bring business to this country, at any price that we can get, that we do not lose too much money upon.

Senator SMOOT. Do you ever sell any steel to a foreign country at a loss?

Mr. SCHWAB. We do.

Senator SMOOT. Will you tell the committee just why you do so? Tell the committee just why that system is carried on.

Mr. SCHWAB. I will illustrate it by taking a blast furnace. The same crew of men is necessary to run a blast furnace making 100 tons a day or making 500 tons a day. If you have a rail mill that will make 500 tons a day and you have a mill that will make 2,000 tons a day, the fixed cost per day of the labor, etc., in that mill, is practically the same. If you can divide these expenses by a very large total, you reduce the cost of the stuff produced.

Senator SMOOT. You not only reduce the cost of the goods you export, but the cost of the goods for home consumption?

Mr. SCHWAB. Quite so.

The CHAIRMAN. Are you confronted with the alternative of closing down or of continuing operations in order to hold your crew and plant together?

Mr. SCHWAB. We run at a loss very quickly.

The CHAIRMAN. You would?

Mr. SCHWAB. There is no question about it; oh, yes.

The CHAIRMAN. And in that case you are influenced by the necessity of keeping your crew together and your operations intact?

Mr. SCHWAB. It is very important to a manufacturing plant——

The CHAIRMAN. You are confronted with that condition?

Mr. SCHWAB. Yes.

The CHAIRMAN. And that is caused by a local demand?

Mr. SCHWAB. Yes.

The CHAIRMAN. If you produce an excessive amount, rather than to close the mills and lose your crew, you prefer to continue at a loss?

Mr. SCHWAB. We do; and that is the very place where the export business comes in.

The CHAIRMAN. And that is true of all these things where it is claimed an article is sold cheaper abroad than it is at home, is it not?

Mr. SCHWAB. Absolutely true.

Senator WILLIAMS. I understood you a moment ago, in answer to a question by Senator Smoot, to state that you sold abroad at a loss. Did you mean that you always do that?

Mr. SCHWAB. No; at times. That is what he asked me.

Senator SMOOT. I said, "at times."

Senator WILLIAMS. Upon the whole, do you sell abroad at a loss?

Mr. SCHWAB. No; I think upon the whole we have a small profit.

Senator SMOOT. But very small?

Mr. SCHWAB. Yes; but not a profit that would justify any investment in the manufacture.

Senator HEYBURN. Is the profit ever as great in the foreign trade as it is at home?

Mr. SCHWAB. No.

Senator WILLIAMS. The profit in the foreign trade is not as good as in the domestic trade?

Mr. SCHWAB. No.

Senator HEYBURN. I spoke of the percentage.

Mr. SCHWAB. Yes.

Senator SMOOT. Your overhead expenses and general expenses by way of taxation would be exactly the same if you were making 100 tons per furnace or 500 tons?

Mr. SCHWAB. Just the same.

Senator HEYBURN. The expense of that plant would be the same?

Mr. SCHWAB. The expense of that particular plant would be; yes. I have estimated at our works at Bethlehem that the charges go on just the same, whether we run or do not run, in the way of taxes and fixed expenses. The fixed expenses are \$1,500,000 a year if we do not make a ton or run full. That goes on just the same. If we can divide that down in tons, if we do not have any profit, or even a small loss, it is good business.

Senator LODGE. Let me ask you a question about the Chinese proposition: They have a mill at Hankow, have they not?

Mr. SCHWAB. Yes.

Senator LODGE. Does any structural iron come here from China?

Mr. SCHWAB. No; none whatever. They have not a mill there that is sufficiently up to date and modern nor sufficient home demand to justify the manufacture of finished products of that sort.

Senator LODGE. But they send pig iron in in considerable quantities?

Mr. SCHWAB. They do. I think that practically all of the pig iron that is not consumed in China at these Hankow works is sent to America.

Senator LODGE. And they can put it down here at a very low price?

Mr. SCHWAB. I just returned from China, and I spent some days with a gentleman who owns the controlling interest in the Hankow

works. I can only quote him when he told me that they made pig iron there for \$7.50.

Senator SMOOT. Per ton?

Mr. SCHWAB. Yes; pig iron.

Senator LODGE. Is there not also an effect produced by the fact that they are on a silver basis?

Mr. SCHWAB. I can not answer that.

Senator SMOOT. Mr. Schwab, yesterday a gentleman from Indiana stated that last year in one shipment he imported 5,000 tons of billets.

Mr. SCHWAB. Yes.

Senator SMOOT. And that the German price of billets at that time was \$22 per ton and the American price was \$32. So he testified. I asked him if he thought the cost of producing billets in America was more than \$22, and he quickly answered and said, "No; of course not, because I have bought billets for \$14." I asked him then, "Well, do you think that the American manufacturer makes \$10 per ton on the billets?" "Why," he says, "of course he does, and more than that."

Mr. SCHWAB. That is absurd, of course. I can tell you that very frankly.

Senator HEYBURN. Tell us why it is absurd.

Mr. SCHWAB. Look at the present price at which pig is selling, for example. That is a price at which most manufacturers could not make pig. For example, I read in the papers yesterday about one large concern in the State of Pennsylvania, at Harrisburg, that went into the hands of a receiver yesterday because they could not make the goods at the price at which they are selling to-day. Pig sells at \$14 to-day, and therefore it is absurd to say that billets could be sold for \$14, when it costs \$8 to put pig iron into billets.

Senator HEYBURN. Are any of the Chinese operations based upon American capital or under American control?

Mr. SCHWAB. None that I know of.

Senator SMOOT. Mr. Schwab, can you tell the committee what it costs to produce a ton of steel rails?

Mr. SCHWAB. I testified before the Ways and Means Committee, and I see no reason to change that estimate. My recollection is that I put it along about \$22 to \$23 a ton.

Senator SMOOT. Can you tell the committee what it costs to make a ton of rails in Germany?

Mr. SCHWAB. I can not tell with accuracy. I should estimate—and it will be a mere estimate upon my part—

Senator SMOOT. Yes.

Mr. SCHWAB. That it is from \$18 to \$19 a ton.

Senator WILLIAMS. What is that?

Mr. SCHWAB. Steel rails in Germany.

Senator HEYBURN. Where is that factory?

Mr. SCHWAB. The cheapest pig iron made in Germany is made at Luxemburg. They make pig iron there at, I know, \$8.50 and \$9 a ton, and I know that can be converted into rails at \$10 more. That is the way I arrive at what the cost is there.

Senator SMOOT. The situation, if this bill should become a law, so far as structural steel, steel rails, and general steel products are concerned, would be this, would it not: That Germany would have

a distinct advantage over all the manufacturers upon the eastern coast, especially within 100 or 200 miles from the ocean?

Mr. SCHWAB. There is no question about that. It is absolutely true. The ocean freight from Germany in foreign bottoms is as low as our freight 100 miles inland to get down to the coast.

Senator HEYBURN. Is that about a fair basis of estimate—100 miles inland?

Mr. SCHWAB. I can not say that; but they carry rough-steel products from Germany over—

Senator HEYBURN. I was looking for the basis of the estimate generally.

Mr. SCHWAB. Of course, that varies. It has to be borne in mind that our own water transportation most seriously handicaps us.

Senator SMOOT. What was the last thing you were going to say?

Mr. SCHWAB. They ship to America for from \$1.75 to \$2 a ton. We pay from Bethlehem to New York, 90 miles, \$1.50 a ton.

Senator WILLIAMS. Do you mean that that is the freight rate across the Atlantic to America, or across the Pacific to the Pacific coast?

Mr. SCHWAB. Across the Atlantic to America.

Senator WILLIAMS. How does freight get from the Atlantic to the Pacific coast? What kind of freight carriage would that be?

Mr. SCHWAB. The only way we could reach the Pacific coast economically would be by water.

Senator WILLIAMS. That is what I thought.

Mr. SCHWAB. Our laws do not permit us to use foreign bottoms for carrying freight. We must use American ships at nearly double the cost of ocean transportation of the Germans.

Senator WILLIAMS. That is to protect the shipping.

Mr. SCHWAB. But those are facts. To ship freight across the continent at \$8 or \$9 a ton is quite impossible, as compared with the ocean transportation from Germany.

Senator GALLINGER. That is not so much to protect shipping as it is to protect American labor, inasmuch as our ships cost more to navigate than foreign ships.

Senator SIMMONS. I do not know that I understood you awhile ago in one of your replies to the Senator from Mississippi, but I understood you to say that since the adoption of the preferential rate in Canada we have been exporting but very little iron and iron products to that country?

Mr. SCHWAB. That is my opinion. I have no definite data on that here. I know that at our works we have exported practically nothing for the last three or four years.

Senator SIMMONS. I have a statement here that purports to come from the Canadian Yearbook. I have not verified it, and I have not seen the Canadian Yearbook. Of course the preferential rate is about equivalent to \$1 on a ton of pig iron, I think. It is \$2.50; and the preferential rate is \$1.50, giving an advantage in favor of England of about \$1 a ton on pig iron. This statement purports to come from the Canadian Yearbook:

In the calendar year 1910, as appears from the Canadian Yearbook, Canada imported in iron and steel and the manufactures thereof \$61,183,000, of which Great Britain sold \$11,212,000; Germany, Holland, Belgium, and all other countries except the United States, \$1,930,000; and the United States, \$48,040,000.

Mr. SCHWAB. Yes, sir.

Senator SIMMONS. If that be true, you are mistaken. The United States in 1910—

Mr. SCHWAB. I did not speak of the United States. I spoke of myself.

Senator SIMMONS. Your own works?

Mr. SCHWAB. Yes.

Senator SIMMONS. Oh, I beg your pardon.

Mr. SCHWAB. I did not speak of the United States; no.

Senator SIMMONS. I beg your pardon.

Now, Mr. Schwab, leaving out the amount of iron and steel and the products thereof that are exported from one country of Europe to another country in Europe, or exported from one country in Europe to some of their dependencies or colonies, in the neutral markets of the world, so to speak, those where they have equal freight conditions and tariff conditions, is it not true to-day that the United States is furnishing much the largest bulk?

Mr. SCHWAB. It is not true, by no means. It is nothing like true. Approximately half of Germany's steel—or 40 per cent, let us say, of Germany's steel—is exported to these neutral markets.

Senator SIMMONS. I do not know. I am simply asking you.

Mr. SCHWAB. That is true.

Senator SIMMONS. I was led to make that inquiry—

Mr. SCHWAB. No; it is not true.

Senator SIMMONS (continuing). By what I found in a speech in the House, that I would like to read to you, and ask you if you know anything about it.

Mr. SCHWAB. Yes.

Senator SIMMONS. It says—

Senator GALLINGER. Whose speech is it?

Senator SIMMONS. It is a speech by Hon. Stanton Warburton, of Washington. I do not know whether he is a Democrat or a Republican. He says:

In 1910 we exported, all told, of steel rails, \$10,546,000 worth, as against England's \$13,275,000, Germany's \$12,924,000, Belgium's \$4,209,000, and Holland's about \$3,480,000. If we exclude the exports of these countries to other countries in Europe, which they dominate and control against us by reason of freight rates, and exclude the exports to the colonies of each of these countries, which they in a large measure and in many cases entirely control, and take into consideration only foreign markets, where all countries stand on an equality as to tariff, and somewhere near an equality as to freight rates, we exported more dollars' worth of steel rails than any country. We exported in such open markets \$10,546,000 worth of steel rails, as against Great Britain's exports of about \$4,000,000, Germany's exports of about \$5,000,000, Belgium's exports of about \$2,500,000, and Holland's exports of about \$1,300,000.

Mr. SCHWAB. You have selected the one item which we export most of, rails. You spoke to me about steel exports, not rails. I assume that those figures are true; but you have selected the one thing that we probably export the most of.

Senator SIMMONS. It appears by this that in a market where there is equality of tariff rates, and equality of freight rates, or practical equality, the United States now is sending those countries a much larger per cent of their steel rails than England, Germany, France, Belgium, or Holland—as much as all of them combined.

Senator STONE. Not quite.

Senator WILLIAMS. In that connection, Mr. Schwab, how about our exports of locomotives?

Mr. SCHWAB. I can not give you any information.

Senator WILLIAMS. You do not make locomotives?

Mr. SCHWAB. No; I do not make locomotives.

Mr. WILLIAMS. One other question in connection with your business, because it is very important to know, when you are talking about particular works, how it compares with other works, as to the possibility of cheapness of production, etc. Can you turn out steel as cheaply at Bethlehem as it can be turned out anywhere else in the United States?

Mr. SCHWAB. Excepting the Steel Corporation only. The Steel Corporation can turn out steel cheaper than any other independent organization in the United States.

Senator WILLIAMS. Why is it they can turn it out cheaper than you—because they own a greater portion of the ore?

Mr. SCHWAB. No; for the following reason: That the Steel Corporation was large enough to have a sufficient number of plants and mills—this is one of the reasons, and one of the chief reasons—to take one mill and run that one mill, not only one day but every day in the year, on one product.

Senator GALLINGER. Standardize?

Mr. SCHWAB. Standardize. That enables them to manufacture very cheaply; while an independent concern like mine, for example, must use that one mill for 50 different products, and therefore will never make one as cheaply as the concern that is sufficiently large in its capitalization and plant to devote the entire mill to one thing.

Senator WILLIAMS. I understand that. Have they any other advantage? For example, have they any advantage in regard to the question of owning a larger proportion of their ore than you do?

Mr. SCHWAB. I think not.

Senator WILLIAMS. Have they any advantage in their owning or controlling transportation?

Mr. SCHWAB. It is a question of how you figure their costs. If you figure their cost by charging against it the same rates of freight, etc., that we pay, leaving out this question I have explained, they can not manufacture any cheaper.

Senator WILLIAMS. Do they own or control transportation to a larger extent than you do?

Mr. SCHWAB. Oh, yes; certainly. I know they do.

Senator WILLIAMS. That may have something to do with it, you think?

Mr. SCHWAB. I think their transportation must have its own return upon capital, and therefore the charge against rails, or whatever they make, must be at the same rate of transportation as other companies pay.

Senator WILLIAMS. But if they pay their transportation to a large extent to themselves, they have that much advantage?

Mr. SCHWAB. Of course, that comes back in another form, and, so far as that is concerned, they could manufacture cheaper, dependent upon their profit in transportation.

Senator HEBURN. I would like to have some definite figures as to the price of steel rails abroad as compared with the price in this country. There is much declamation periodically in regard to that

question, and it is asserted as an argument against the protective-tariff policy that steel rails are sold abroad cheaper than they are in this country; and I would like to have you state in concrete form just what the difference is.

Mr. SCHWAB. What do you mean by "abroad"—in the open competitive markets?

Senator HEYBURN. We will say, for instance, England and Germany.

Mr. SCHWAB. They are not sold in any of those countries; they are too highly protected by tariff.

Senator HEYBURN. That statement is a very familiar one.

Mr. SCHWAB. That is true.

Senator HEYBURN. That is to say, they are cheaper abroad than in this country; that is, that American-made rails are sold for less abroad than they are in this country. Is that true?

Mr. SCHWAB. When you speak of competitive markets, let us say like South Africa, like Australia, like China——

Senator HEYBURN. I was speaking of European markets.

Mr. SCHWAB. They are not sold in European markets at all.

Senator HEYBURN. I just wanted that statement in the record.

Mr. SCHWAB. They are not sold.

Senator GALLINGER. Mr. Schwab, is it not a fact known to you that every commercial nation at times makes the export price less than the domestic price?

Mr. SCHWAB. Of course. It has been a practice ever since I have been in business, and it is good business, necessary to get your business.

Senator SMOOT. If it was not for the tariff, they would use America for a dumping ground for all the surplus from Europe?

Mr. SCHWAB. Yes, sir. Let Germany increase her exports to the United States by two or three million tons and she will decrease her costs very much and become a very formidable competitor.

Senator SIMMONS. What is the difference between freight rates between this country and England in the Canadian market on steel?

Mr. SCHWAB. I am not familiar with freight rates from England to Canada, but I assume that they are about the same as they are to the United States.

Senator SIMMONS. About the same?

Mr. SCHWAB. Yes; naturally.

Senator SIMMONS. What inference do you draw from the fact that, freight rates being about the same in that market and England having a preferential to about a dollar a ton, under those circumstances we supply Canada with many times the amount of steel and iron and the manufactures of steel and iron that England does?

Mr. SCHWAB. There are reasons for that. In the first place, I am assuming your premise is correct, that we do, taking those figures.

Senator SIMMONS. It appears here from the Canadian Yearbook of 1910 that that is true.

Mr. SCHWAB. There are a number of reasons. Steel is sold in great quantities; people want it quickly and right at the time, and the chances are that much of that tonnage in Canada of which you speak was made up because it could be delivered quickly from Chicago or some other point adjacent to the border. That is my opinion; I do not know.

Senator SIMMONS. Do you think the fact that she could get it over there from this country a little quicker than from England would account for the fact that we sold Canada in 1910 forty-eight millions, against about ten or eleven millions from England?

Mr. SCHWAB. I think that is largely true; I think it is one of the factors.

Senator LODGE. In that connection, is it not true that we have the advantage in the land haul? The English steel and iron has to be landed at Montreal?

Mr. SCHWAB. Yes; you are protected to the West, where it is consumed. The steel is not consumed in Canada in the East; it is consumed in the West.

Senator LODGE. Exactly. We take ours across the Lakes and save half the land haul.

Mr. SCHWAB. I have another very good reason. We are protected in the freight.

Senator SIMMONS. Then, as a matter of fact, the freight rate is in favor of England?

Mr. SCHWAB. No; quite the reverse.

Senator SIMMONS. I meant the reverse, in favor of this country. How much do you think it is?

Mr. SCHWAB. It depends on the point of delivery.

Senator SIMMONS. Average it up, now.

Mr. SCHWAB. You tell me where the average steel center is and I will give you an approximation.

Senator SIMMONS. Do you think it would cover the difference between the tariff rate that England has to pay and the one we have to pay?

Mr. SCHWAB. I think it would be much more than that.

Senator WILLIAMS. English iron and steel would come to Canada by water, would it not?

Mr. SCHWAB. To eastern ports.

Senator WILLIAMS. And if it came to Pacific ports it would have to come by water?

Mr. SCHWAB. I think much of the steel that was imported into Canada would be in the shape of wire, rails, etc., which would go to central Canada, largely; and I think they can be delivered over the Great Lakes from Chicago at a great deal less than they can from England.

Senator SIMMONS. In your first statement you stated to me, as I recall it, that you thought the freight rates were about the same.

Mr. SCHWAB. To the coast. I said the freight rate from England to the coast was about the same as to New York. But I said nothing of the land haul. You did not ask me about that.

Senator SIMMONS. If it is to go into the interior of Canada from the coast the English would have to pay the land haul as well as the American?

Mr. SCHWAB. They would; and therefore they were unable to do it in competition with the shorter land haul in America, and they did not get the business. That is probably one of the other explanations.

Senator SIMMONS. I am glad to have that statement as a reason why we are able to sell so many times more in Canada. I want to investigate it.

Mr. SCHWAB. When I give you the reason, I say it is one of the probable reasons. You are asking me about a business in a foreign country with which I am not familiar.

Senator SIMMONS. The gentleman who made this speech I read from a little while ago laid down the proposition—and I think he had some reason for it—that the freight rates were about the same.

Mr. SCHWAB. I want to be clear about this, that I am decidedly of the opinion that a greater tariff is necessary for the protection of our industry on the seacoast than is necessary for the protection of our industry in Chicago and the West. England can not get to Chicago, even though they land their stuff at the eastern seaboard for less than \$3.50 a ton; while we have no freight west as against their haul in the east.

Senator STONE. Is Mexico an open competitive market to this country and European countries?

Mr. SCHWAB. I think there is a tariff in Mexico, just the same; but it is open competition to all countries under the same conditions of tariff.

Senator STONE. The United States has no tariff advantage over England and Germany in dealing with Mexico?

Mr. SCHWAB. No; none whatever.

Senator STONE. Do the American makers of steel rails sell in competition to Mexican purchasers, and in larger quantities than European manufacturers?

Mr. SCHWAB. That I could not tell you. That is such a general question I would have to get to the statistics and find that out. I do not know. We do not sell any rails in Mexico.

Senator STONE. Do you know that it is an acknowledged fact that a very much larger tonnage of steel rails is exported from this country to Mexico for use there than comes from other countries?

Mr. SCHWAB. I could not tell you that; I do not know. I have no knowledge upon that subject.

Senator STONE. Then I will ask you if you know as a fact that rails made in the United States, and sent over to Mexico, are sold there at a much lower price than they are sold in the United States?

Mr. SCHWAB. I think that is probable; I do not know it, but I think it is quite probable. I should like to take an order there at a lower price than we take in the United States; I would be very glad to.

Senator STONE. You would?

Mr. SCHWAB. Yes.

Senator STONE. Would you lose money on it?

Mr. SCHWAB. That would depend on the price at which I took it. I may state this to you, that I would be quite willing to-day to take an order of rails—the larger the better—in any foreign country, that would net me a loss.

Senator SMOOT. In order to keep your mills occupied?

Mr. SCHWAB. In order to keep my mills occupied, in a time of depression like the present. I would be very glad to do it.

Senator STONE. I was called out when you made your principal statement. I would like to ask you just what your mills make?

Mr. SCHWAB. We make pretty nearly all lines of heavy steel; and, in addition to that, we are very large engineering concerns, and we make governmental supplies—guns, armor, everything of that sort.

We have a very general works. We make nearly everything of the heavier lines of steel, as well as the highly finished articles.

Senator STONE. What is your capitalization?

Mr. SCHWAB. Of our concern, the total capitalization of bonds and stocks is fifty-five million.

Senator STONE. What is the average annual market value of the output of your mills?

Mr. SCHWAB. Of our works?

Senator STONE. Yes.

Mr. SCHWAB. About \$35,000,000.

Senator STONE. You manufacture about \$35,000,000 worth of goods annually?

Mr. SCHWAB. A year; yes.

Senator STONE. What is the per cent of profit on that product to the stockholders?

Mr. SCHWAB. Most of the stock belongs to me, and I am sorry to say I have never taken a penny out of the concern the years I have owned it.

Senator WILLIAMS. Do you mean by that you have made no profit, that you have put it back in the business?

Mr. SCHWAB. I have not made sufficient profit to feel that the best interests of the concern justified me in taking a dividend.

Senator WILLIAMS. So you have put it back in the business—increased the business?

Mr. SCHWAB. I have put it into bettering the business. People speak of 20 and 25 per cent being an unusual profit on a manufactured product, too great a product in the manufacture of iron and steel. I want to say if they will study the history of the industry to see how plants have had to be rebuilt every 5 or 10 years, new processes introduced, they will take a different view. I know of no concern in these 30 years making 20 per cent profit that has been able to pay its stockholders one-third of it.

Senator STONE. Can you tell me this, how much you have taken out in the form of a dividend?

Mr. SCHWAB. Yes. I can tell you the earnings if you would like to know that.

Senator STONE. I would like to have the net earnings.

Mr. SCHWAB. From 1905 up to 1911, inclusive, my company earned \$9,871,000 net; that is 7 years. That is after deducting all bond interest, fixed charges, etc. That left for my stock, after deducting depreciation, in those 7 years, an average of 4½ per cent.

Senator STONE. On the stock?

Mr. SCHWAB. On the stock.

Senator STONE. What is the amount of the bonds?

Mr. SCHWAB. Twenty-five millions.

Senator STONE. And thirty millions of stock?

Mr. SCHWAB. Thirty millions of stock.

Senator STONE. What is the interest on the bonds?

Mr. SCHWAB. Some 5 and some 6 per cent; an average of 5½ per cent.

Senator STONE. Are you a large owner of the bonds?

Mr. SCHWAB. Yes, sir.

Senator STONE. Do you own most of them?

Mr. SCHWAB. No, sir; I have sold the bonds. I still have some for sale.

Senator STONE. You have a good, large salary list to be paid to what you call the overhead men?

Mr. SCHWAB. Yes; a fairly good salary list.

Senator STONE. What is your salary?

Mr. SCHWAB. I have none.

Senator STONE. You work for nothing?

Mr. SCHWAB. Yes.

Senator GALLINGER. You have some places for high-class men now, have you not?

Mr. SCHWAB. I have; yes.

Senator STONE. Who are the stockholders?

Mr. SCHWAB. They are very widely scattered.

Senator STONE. I did not mean to say stockholders—I meant directors.

Mr. SCHWAB. Do you want the names of the directors?

Senator STONE. Yes.

Mr. SCHWAB. I think, probably, you would not know any of them. There is Pliny Fisk, of New York; William M. Barnum, a lawyer, of New York; Mr. _____, of Hill, Garden & Co., New York; myself, and three of my managers.

Senator STONE. Do you know whether any of the stocks and bonds of your company are held by directors of the United States Steel Corporation?

Mr. SCHWAB. I think not; not of record, I am sure. I would like to just interrupt at one point to emphasize, if I may, my feeling upon this point personally, because I am in the unique position of being a very large owner of this property, and directly responsible for and active in its management. My point is this: My interest in the Bethlehem Steel Co. is not essential or necessary to me personally; I have no heirs and I have no children to whom to leave it. My chief desire and chief pleasure in life has been to take this industry and build it into a great and successful thing—a great, successful works. I have not taken a penny out of it. But I do not mind saying, and saying with all the earnestness I know how, that if this bill passes I shall drop it and any further interest in it. It is not possible to make it successful.

Senator STONE. When were these works built?

Mr. SCHWAB. Fifty years ago. I bought them from a Philadelphia concern 10 years ago. But I did not take any active interest in it until 6 years ago.

Senator STONE. You said you had not taken any dividends from the business?

Mr. SCHWAB. No.

Senator STONE. Now, I want to know how much of the earnings—what amount of the earnings—has been turned into betterments.

Mr. SCHWAB. All of it.

Senator STONE. In the aggregate, the amount of \$9,000,000?

Mr. SCHWAB. Of \$9,000,000; and, in addition to that, \$27,000,000 more.

Senator STONE. Where did that come from?

Mr. SCHWAB. It was borrowed money; that is what these bonds are for. All of that has gone into this plant. We have increased the business and the plant 600 per cent in six years, and from a pay roll of from \$75,000 to \$100,000 a month we paid out last year nearly \$11,000,000 in wages, and there has not been a year since we started this industry that the average wages of the workmen have not increased. One of the unfortunate things that I read about our plant was a speech from some one of the Members of Congress, widely published, to the effect that last year we had declared 10 per cent dividend. That is about as unfair and about as untrue as most of the published statements regarding these industries.

Senator STONE. You pay a higher rate of wages here than your competitors?

Mr. SCHWAB. No, sir. The rule in the East, the practice in the East—

Senator STONE. I mean in Europe.

Mr. SCHWAB. Oh, yes; than in Europe. I thought you said my competitors here.

Senator STONE. You were speaking of some speech that is full of error. I remember reading what purported to be a very interesting deliverance of yours on the subject of the skill of American workmen, and the substance of it was that by paying a higher wage you got better work and more work out of the workmen, and that the employer really was better off in every way on that account.

Mr. SCHWAB. I do not recall the speech, but I am decidedly of the opinion, and always have been, that workmen ought to be paid proportionately to their worth and skill, and that any system of paying workmen that is not based on that is fundamentally wrong. That is the reason I tell you we pay most of our men on what is called the bonus system. We guarantee that their wages shall not be less than a certain amount per day, however poor the man may be or how little work he can do; but he can make it as much more as he likes.

Senator STONE. I will ask you now whether you, paying a higher wage to your workmen than is paid to workmen in like industries in European countries, get better results from the labor of these higher priced workingmen; whether they do better work and more work than men employed in like manner in Europe?

Mr. SCHWAB. What you want to get at is this: Does the average American workman do more for his wages than a man in a European mill?

Senator SMOOT. Is the production more?

Mr. SCHWAB. Yes; is that the idea?

Senator STONE. Yes.

Mr. SCHWAB. It is difficult to compare the conditions. Let us take skilled workmen, like machinists who work upon the bench. My experience is that Germany has furnished the highest type of that sort of men. If you come to men like what we call highly-skilled millworkers, heaters, rollers, puddlers, melters, and that type of men, we get much better results from our own skillful American workmen.

Senator STONE. The speech of yours to which I referred, as I recall, was made by you to the Ways and Means Committee several years ago.

Mr. SCHWAB. Yes. I would not dignify it by calling it a speech.

Senator STONE. A statement to the committee.

Mr. SCHWAB. Yes, that is better.

Senator STONE. And I saw, read it, and quoted from it in some remarks I made in the Senate, and I have wanted to find out whether you adhered to that view or whether you had changed your view.

Mr. SCHWAB. I recall very well the utterance, and that was that we got more efficiency out of our workmen, per man, than they got in Europe. That was the statement to which you refer?

Senator STONE. That was the question I asked you a moment ago.

Mr. SCHWAB. If you had been a little more direct and told me just what statement of mine you referred to I could have told you what I had in mind.

Senator STONE. Do I understand you now to say that you get better work and more work from your workmen than the European manufacturer gets from his?

Mr. SCHWAB. As a general statement, that is true.

Senator GALLINGER. Would you say that greater efficiency offset the difference in the amount paid the laborer?

Mr. SCHWAB. Oh, no; that would not be possible. There was a statement I made that you perhaps misinterpreted; there was a time in the steel industry when, notwithstanding the fact that we paid double the wages that they did in Germany, our cost of labor per ton was no greater. I have made that statement. But that condition does not exist to-day, for the reason that America was foremost in those days in the introduction of ingenious machinery and methods, which have been quickly adopted by the manufacturers.

Senator WILLIAMS. Let me ask you this question in that connection: You say that the labor cost bears the proportion of about 33½ per cent to the total cost of the product. Take Germany first. Does the labor cost in Germany bear a greater or a less percentage to the total cost?

Mr. SCHWAB. I have no definite figures; but it must be less.

Senator WILLIAMS. You do not know?

Mr. SCHWAB. It is evidently so, because of the losses. I mean by losses, waste of metal in conversion, and similar things, which must be the same, or nearly the same.

Senator WILLIAMS. You would have to take into consideration the price of ore, and transportation, and a hundred other things.

Mr. SCHWAB. It is not an easy question to answer.

Senator WILLIAMS. Do you know what the percentage the labor cost bears to the total cost of production in your industry in Great Britain? Have you ever seen any figures about that?

Mr. SCHWAB. No; I could not give you that data; I do not know. It would be only a guess.

Senator WILLIAMS. But you would infer from the reasoning you have indicated that it must be something less?

Mr. SCHWAB. It bears a less proportion; yes.

Senator SIMMONS. Are we to understand from your answer a little while ago to the Senator from Missouri that you think there was a time when there was no necessity for protection?

Mr. SCHWAB. I did not say that.

Senator SIMMONS. I ask you if we may infer that?

Mr. SCHWAB. You may infer it.

Senator SIMMONS. That you thought the improvement in methods and the efficiency of labor in Europe had brought about a condition of equality, probably; disturbed the condition of equality?

Mr. SCHWAB. That is quite true. We advanced very rapidly in these developments for a time; but, naturally, they followed very quickly.

Senator SIMMONS. Do you think there is more necessity now for protecting your industry than there was a few years ago; or less?

Mr. SCHWAB. I should look at the broad situation like this, from the point of view of an owner of works and a manager of these works. Here is the works I have conducted for seven years with all the skill and talent I have been able to command that has not given me an adequate return upon my capital. That return has been made by years of prosperity averaged with years when we made nothing, as I will very gladly show you. You take a period like the present, and it is my opinion that no independent steel company, manufacturing the heavy bulky products, is making any money to-day at to-day's prices. There are years of prosperity, of good demand, when we are running our works full, as we had two years ago, when we will make good money. But we have got to have those years to make the average right—years of good price and good demand.

Senator SMOOT. Years when they come to you for your product rather than you hunting them?

Mr. SCHWAB. Exactly. You put that tariff where it has been proposed and we will not have those good years to average.

Senator SIMMONS. It was not the future to which the Senator was addressing his inquiries; he was addressing his inquiries to the question of efficiency, the comparative efficiency in labor between this country and Europe.

Mr. SCHWAB. That I understand.

Senator SIMMONS. You said that there was a time when our labor was much more efficient and largely overcame the difference in the cost per day of labor here and there; but you said that at the present time there was about equal efficiency in labor in both countries.

Mr. SCHWAB. Equal efficiency in all their costs of manufacture, methods, and so forth.

Senator SIMMONS. Yes; in other countries?

Mr. SCHWAB. Yes.

Senator SIMMONS. Then, according to your argument, your conclusion would be that you are more in need of protection now than you were several years ago?

Mr. SCHWAB. I do. I am an ardent protectionist, and believe that we ought to have it now. I believe that Germany's great prosperity—and she is most prosperous—and her great development of business have been due to that very policy.

Senator STONE. And the older and richer your establishment becomes, the more it stands in need of protection?

Mr. SCHWAB. I do not say that. I will subscribe to the first part, the "older," but I do not subscribe to the second part, as to the "richer."

Senator SIMMONS. I want to read you a statement by Mr. Carnegie—

Mr. SCHWAB. If the gentleman will pardon me, I must refuse to discuss any opinion of a man who has been so near and dear to me as Mr. Carnegie; I would not do it.

Senator SIMMONS. You would not agree with him or disagree with him?

Mr. SCHWAB. I am not prepared to agree or disagree with anything Mr. Carnegie says.

Senator SIMMONS. You will let me read it?

Senator WILLIAMS. It is a case of armed neutrality?

Mr. SCHWAB. No; not at all. Mr. Carnegie has been a father to me, and more, all my life, and therefore I do not care what his opinion is; I should not publicly discuss it.

Senator SIMMONS. I do not want to bring about any harmony or conflict between you and Mr. Carnegie, but I would like to just read a little statement here and ask you what you think about it, if you have no objection. This is what Mr. Carnegie is represented as saying:

After the Civil War Congress sent for the manufacturers—

Mr. SCHWAB. I have read that many times. [Laughter.]

Senator SIMMONS. Let us get to Mr. Carnegie's argument about it.

Senator SMOOT. Read it all.

Senator SIMMONS. That is what I propose to do [reading]:

After the Civil War Congress sent for the manufacturers and explained that it was read to "protect" steel, and 30 per cent was imposed. Steel rails, all imported, then cost \$90 per ton; the duty was \$28. To-day the price is \$28 per ton, home production, and the duty \$4. No foreign supply is needed. The writer has been before several congressional committees upon the tariff question, but never to ask an increase, always stating that reductions in duties could be made. Testifying before the present tariff was passed, I stated that the steel duty could now be abolished, which gave many people the impression that I had changed my views because I was no longer an interested party. On the contrary, I may cite a letter that appeared in the New York Times of December 28, 1903, from Charles Stewart Smith, of the New York Chamber of Commerce, saying that he heard me "tell President McKinley during his first term that steel no longer needed protection." The infant industry has grown to be a giant; protection has done its work.

Mr. Carnegie seems to think that the necessity for protection to your industry has grown less every year.

Mr. SCHWAB. Evidently.

Senator SIMMONS. And yet I think your argument would lead to the conclusion that in your view the necessity is greater now than the English have become as efficient as we are.

Mr. SCHWAB. The necessity existed to a greater extent in the earlier days in our development of this business; it was necessary for us to have protection then. Do not forget that in my first year in steel, in 1880, this country had consumed less than 1,000,000 tons. That is only 30 years ago. The business was only started and only developed. We needed the very heavy protection in those days that we got to learn the development of the business. A great business like steel, or any similar product, can not be made successful or profitable in a few years. It takes a long period of development, and that was necessary, as against England and Germany, with their many years of experience back of them. Therefore, as far as the development period is concerned, we need no protection. The protection we needed in the earlier years is what Mr. Carnegie refers to. To-day, from a cost point of view—

Senator SIMMONS. Mr. Carnegie refers not only to the earlier days, but to all the intermediate years.

Mr. SCHWAB. I understand that. To-day, from a cost point of view—

Senator SIMMONS. That the necessity for it grew less and less until it finally disappeared.

Mr. SCHWAB. I will not discuss that. Mr. Carnegie may do that. But from a cost point of view I do say to you, and say to you decidedly, that we do need protection to-day in the East. I would like to point out one other thing to you. In taking the earnings, year by year, of our plant—which is typical of the industry—I find, for example, in 1908 our earnings were 2.66 per cent on the stock; in 1906, 2.54; in 1909 they were 12.22. That was a good year. In the last two years they have been about 6.75 per cent. But the average of the whole business for all this period is 4.3 per cent earnings upon the stock. Now, you take out such years as we made 12 per cent, and there is no return upon capital at all, nor could any works or any industrial concern succeed under conditions of that sort, where you did not get good years to enable you to extend your plant and bring your average up.

Senator SIMMONS. I suppose that is so in every industry?

Mr. SCHWAB. Yes. It is impossible under this bill, in my opinion, to get those good years of business.

Senator SMOOT. Mr. Schwab, have you had more practical experience in making steel and iron than Mr. Carnegie?

Mr. SCHWAB. Oh, yes; I was manager of his mills for many years.

Senator SMOOT. There is not a doubt in the world but what, as far as the cost of steel is concerned, and the steps of manufacture, you know more about it than he ever did know?

Mr. SCHWAB. I would not say that. I would not care to discuss that point. You can draw your own inference about that.

Senator SMOOT. Let me ask it this way: Has Mr. Carnegie ever interested himself in the development of this great industry by way of studying out the questions of machinery and the process of working?

Mr. SCHWAB. No; Mr. Carnegie was not a technical steel man; but he had a very good general knowledge of the steel business.

Senator SMOOT. Like any other foreman of a business would?

Mr. SCHWAB. He was the one man in the industry—indeed, in any industry—who showed the greatest wisdom in the development of the business in that he gave half of all that he owned to the men who made his business successful.

Senator SMOOT. And that policy that he carried out brought to the business he was interested in the very best information possible to secure in the world.

Mr. SCHWAB. Quite so; that was always his aim.

Senator SMOOT. And it was true that the information he purchased and the ability that enabled him to do it were what developed the business into what it is?

Mr. SCHWAB. Quite so.

Senator STONE. Mr. Carnegie made an enormous fortune out of the business?

Mr. SCHWAB. Not as much as he deserved.

Senator STONE. I do not know just what he deserves, but he got a pretty good return. Men like you, who went into it young fellows 25 or 30 years ago, have amassed great fortunes out of it, and others

have, besides you and Mr. Carnegie, and these are well-known facts. So it must be a pretty profitable business in some way. They have made enormous amounts out of it.

Mr. SCHWAB. I would point you to the numberless people in the same line of business who not only did not make any fortune, but lost everything they invested.

Senator WILLIAMS. In larger proportion than in any other merchandising?

Mr. SCHWAB. I think it is a riskier business than merchandising.

Senator WILLIAMS. In other words, it is more important to have skill and knowledge in that than it is in an ordinary business?

Mr. SCHWAB. Yes; I think so, because it is technical as well as commercial.

Senator WILLIAMS. But the men who have known how to manage it have made money, have they not?

Mr. SCHWAB. Yes, sir.

Senator WILLIAMS. And have made immense sums, have they not?

Mr. SCHWAB. Some of them.

Senator WILLIAMS. Some of them not far away from me right now. [Laughter.]

Senator SMOOT. The money he made, though, was made by the improvements he was pioneer in establishing?

Mr. SCHWAB. That is true.

Senator WILLIAMS. Mr. Schwab assisted in pioneering by the tariff?

Senator SMOOT. If it had not been for the tariff, it would not have been in this country; it would have been in the other countries.

Senator WILLIAMS. That is a question of argument.

Senator SIMMONS. Getting back to that question of our ability to meet foreign competition in iron and steel in the markets of the world, in response to some question asked by the Senator from Missouri a little while ago, I believe you said that Mexico freight rates were about equal?

Mr. SCHWAB. I am afraid I did not say that, Senator.

Senator SIMMONS. What did you say about freight rates?

Mr. SCHWAB. I told them I knew nothing of the freight rates in Mexico. I have no information regarding freight rates.

Senator SIMMONS. Would you say that freight rates from this country to Mexico were any greater or less than from England, Germany, and France?

Mr. SCHWAB. I think you would not ask me to make a statement when I have already said I know nothing about it.

Senator SIMMONS. I am advised that the freight rates were about equal.

Mr. SCHWAB. That may be; we do not export to Mexico.

Senator McCUMBER. Between what points is that?

Senator SIMMONS. On an average, the freight rates from this country to Mexico seaports are about the same.

Senator McCUMBER. Would you say it was the same from Pittsburgh or Chicago as from Hamburg?

Senator SIMMONS. I would not say that. I have the statement here, but I have not investigated it. I have the statement that they are about the same. Assuming they are about the same and the terms are equal, I believe you said a little while ago you did not know what the amount of iron and steel we exported was?

Mr. SCHWAB. No.

Senator SIMMONS. I want to give you a statement here from the Bureau of Statistics which I wish to go into the record, to this effect: That we exported to Mexico, of iron and steel, including agricultural implements, cars, and carriages, which included automobiles, in 1910, \$18,130,000 worth, England \$3,722,000 worth, Germany \$2,423,000 worth, and Belgium a little less than \$250,000 worth; or we exported about 5 times as much as Great Britain, almost 8 times as much as Germany, and over 60 times as much as Belgium. If those figures be true and there is equality of freight rates—of course, there is equality of freight rates—then we have demonstrated in our American trade that we are able to compete with the other iron-producing countries of the world in this neutral line, have we not?

Mr. SCHWAB. I do not subscribe to a single particle of your premise; it is all suppositional.

Senator SIMMONS. Supposing the facts to be as I have read them, as coming from the Bureau of Statistics?

Mr. SCHWAB. You are supposing that freight rates and all other conditions are equal. Of course, that is self-evident.

Senator SIMMONS. You say you do not know about that?

Mr. SCHWAB. No; I do not know about that.

Senator SMOOT. You have no figures there showing what class of exportations they were.

Senator SIMMONS. It covers them all.

Senator SMOOT. If it is automobiles and carriages and buggies, that may be because of the fact that they like our styles a great deal better than they do those from Germany.

Senator WILLIAMS. Is there any difference in our styles of steel rails and theirs?

Mr. SCHWAB. Not much. Here is the gist of what I want to impress upon you. The cost of rough steels at the seaboard to-day, like rails, or something of that same description, is twenty-three or twenty-four dollars a ton. That has been testified to, not only by myself, but by other steel manufacturers, like Mr. Felton in the East. You will find a record of it there. These rails are selling in European ports, you will find from the same statistics, at \$24 and \$25 a ton; in some instances considerably below that. Assuming that the freight on these rails is the same from England over to this country as it is from our works, 100 miles inland, to the seaboard, you can easily see that at their cost and our cost they are in a position to compete with us. No works in this country can live, can exist, can hold even, to say nothing of making money, if they have to sell their rails at \$25 a ton. That is the whole thing in a nutshell.

Senator SIMMONS. What troubles me is that when you go into this neutral market, grouping them all outside of Europe, we sell a much larger per cent than our competitors.

Mr. SCHWAB. Of steel rails?

Senator SIMMONS. I am including everything.

Mr. SCHWAB. It does not necessarily follow we have made any profit on it. I tell you now very frankly, I should be very glad to take a large order of export rails that I knew I was going to make a loss on. I would be very glad to do it.

Senator SIMMONS. Yes; but I can not understand, Mr. Schwab, how it is that we can go into Canada and there meet England with

its preference; we can go into Mexico and there meet England with its preference. We could go into the South American states and there meet England on equal terms as to the tariff, and I think on equal terms as to freight, and yet in the home market we can not do it. I do not know anything about the technique of it.

Mr. SCHWAB. I would not presume to argue with you in the skillful manner in which you frame your premises, nor follow your argument from that point of view; but I do know, as a business man and a manufacturer, that practically it can not be done.

Senator SIMMONS. The statistics look as if it is done everywhere else except at home.

Mr. SCHWAB. It is quite true, and I can tell you with equal frankness that I should be very glad to take one-fourth of my production and make it without a profit. But that does not say I could do it and exist.

Senator LODGE. I would like to go over again the Canadian proposition. England lays down her rails in Montreal at the same price she lays them down in Boston or New York?

Mr. SCHWAB. Yes.

Senator LODGE. She has to haul them from Montreal to Winnipeg?

Mr. SCHWAB. Say, 2,000 miles.

Senator LODGE. You take them across the lakes and from there haul them to Winnipeg?

Mr. SCHWAB. From 600 to 1,000 miles; and that is the reason I want protection in the East—where we are not protected at all.

Senator LODGE. Do we need any further explanation of the fact that we can compete with them on heavy iron, structural, and rails? It is simply the number of miles on the map or land haul.

Mr. SCHWAB. That is all it is.

Mr. SIMMONS. Mr. Schwab, I can show you, if you give me a few minutes, that we have the same advantage in the amount of products of iron and steel that go to England and Europe generally that we have as to the products bought by the South American people. Would the differentiation, or the explanation of the Senator from Massachusetts, apply to the South American trade in iron and steel?

Mr. SCHWAB. I could only answer you this: We are on the seaboard here; we are practically unable to sell any of these products in South America. You have mentioned South America specifically. I mean my works. I am not speaking of the United States. But we are a seaboard works, and when it comes to selling heavy products of structural steel we can not compete with Germany in Brazil and Argentina.

Senator SMOOT. Even by selling at cost?

Mr. SCHWAB. Even by selling at cost.

Senator SIMMONS. You say we can not compete. Is it not a matter of fact that we sell a great deal more of the products of iron and steel to South America now than any European country; or, I believe, all of them together?

Mr. SCHWAB. All I can say is this, that as a seaboard manufacturer we do not sell any steel in Argentina or Brazil.

Senator WILLIAMS. Somebody in the United States does?

Mr. SCHWAB. Somebody may; somebody does. The statistics are not often sufficiently analyzed. I mean by that, for example, that we make a special thing that nobody else makes; which, by the way, we arrange to do at our works. We can sell that in almost any country, because nobody else makes that specific thing, and that will swell that list of apparent exports. That is not what I am speaking of; those are specialties.

Senator McCUMBER. You just now stated you would be very glad, under present conditions, to sell an order for exportation to Mexico for less than it cost you?

Mr. SCHWAB. Yes.

Senator McCUMBER. Would you be equally disposed to sell in the United States an equal order at a loss?

Mr. SCHWAB. No.

Senator McCUMBER. Why? Explain why you are willing to sell to the foreigners at a loss in order to keep your mills going, and, at the same time, will not sell to the American trade at a loss to keep your mills going.

Mr. SCHWAB. For the reason that each manufacturing concern in America has, by reason of its location and position, a certain amount of business that is going to come to it at equal prices; and he would be a good deal of a fool of a business man who would say—and he would not have a works very long—"I will take that order if you will take it from me at this price," when he knows that order, by reason of his location and business, must come to him at any rate at equal prices.

Senator McCUMBER. And you do not want to glut the market by selling at a loss?

Mr. SCHWAB. No. Whatever the theory of economics might be that would tell a manufacturer that he ought to do it, I make the prediction he would not long remain a manufacturer.

Senator LODGE. Could you sell Galveston in competition with England?

Mr. SCHWAB. I would have to know the freights to that point.

Senator LODGE. I mean, supposing you sent your iron to New York and shipped it from there to Galveston?

Mr. SCHWAB. Yes.

Senator LODGE. Can you compete in that market?

Mr. SCHWAB. I would have to know the difference in freight rates from New York to Galveston and from England to Galveston. I do not know that; I do not remember it, at least.

Senator HEYBURN. We were interrupted before I got two points that I wanted to complete the purpose I had in asking you in reference to the exportation of steel rails, to meet the argument that is made in regard to our selling cheaper abroad than at home. Are steel rails made in the United States exported to the countries that are manufacturing steel rails abroad?

Mr. SCHWAB. No.

Senator HEYBURN. Then the facts upon which all of this talk is made are those relating to competing countries abroad—sales in competing countries?

Mr. SCHWAB. Quite so; neutral markets.

Senator HEYBURN. So it is not quite true that the United States, through any of its manufacturing enterprises, exports and sells steel

rails in countries that manufacture steel rails at a lesser price than they sell them?

Mr. SCHWAB. The United States do not in any instance export steel rails to a country, to the best of my knowledge, that makes its own rails.

Senator HEYBURN. That is the point I wanted to clear up, because it is the text of half the speeches that are made throughout some sections of the country.

Senator WILLIAMS. But somebody sells in neutral markets where all have an equal opportunity and a fair field?

Mr. SCHWAB. Quite so.

Senator WILLIAMS. Is anybody shipping steel rails to the United States now?

Mr. SCHWAB. Into the United States?

Senator WILLIAMS. Yes.

Mr. SCHWAB. I do not know of any just now.

Senator WILLIAMS. So we not only do not ship any steel rails into countries that make steel rails, but no countries that make steel rails ship any to us, either?

Mr. SCHWAB. They have.

Senator WILLIAMS. Oh, yes; a long time ago.

Mr. SCHWAB. And they will. Oh, no; I mean within a year.

Senator WILLIAMS. That is a mere prediction.

Mr. SCHWAB. No; I say they have within a year.

Senator WILLIAMS. How did that occur; do you know?

Mr. SCHWAB. Because they could get a cheaper rate of freight than we could to San Francisco.

Senator WILLIAMS. Oh, yes; to the Pacific coast.

Mr. SCHWAB. And to the Gulf points, too. They can always go in there cheaper than we can, as they can also up in the northern part of Maine, for railroads up there; and they can get in cheaper than we do.

Senator WILLIAMS. One other question. Would it pay you to take an order from Mexico, let us say, and sell at a loss? I take it you mean by that a loss that would not be so great as the loss you would suffer by allowing the product to remain in the yard and paying interest and fixed charges?

Mr. SCHWAB. Oh, no; I do not. I mean I am quite willing to take a loss over and above interest and fixed charges—quite willing. I would be very glad to. My rail mill is shut down now; the crew will be dispersed; we have to keep them occupied at other things; we have not been running the rail mill this year. I should be very glad to run it at a loss.

Senator WILLIAMS. One other question. You have referred to this being a period of depression in the steel manufacturing business.

Mr. SCHWAB. Yes.

Senator WILLIAMS. About how long ago did that period set in?

Mr. SCHWAB. About a year ago. But it has grown acute during these last four or five months.

Senator WILLIAMS. That is all.

Senator HEYBURN. Was this because of the agitation of tariff revision?

Mr. SCHWAB. I could not give an answer.

Senator SIMMONS. Mr. Schwab, I read here that there are employed in the steel interests of this country, especially in the works of the United States Steel Corporation, a very large per cent of foreign-born people.

Mr. SCHWAB. That is right.

Senator SIMMONS. Why is that—because they can be hired for a less wage?

Mr. SCHWAB. I think they are peculiarly adapted to that sort of work.

Senator SIMMONS. The bulk of them are unskilled laborers?

Mr. SCHWAB. Quite so. That is the reason they are employed. The intelligence of our American workmen makes them learn trades and higher-class work. We do not have what we term the lowest type of labor in America. They all become mechanics or skilled workmen of some sort, and that is about our only available source.

Senator SIMMONS. And you use these not because you can get them cheaper, but because they are better adapted than the Americans for the work?

Mr. SCHWAB. They are the only kind of men you can get for that work. It is because they are unskilled.

Senator SIMMONS. It is because of a lack of unskilled labor in this country?

Mr. SCHWAB. Quite so; they are unskilled labor.

Senator SIMMONS. Then it is not because they are better adapted to do it than the Americans?

Mr. SCHWAB. Oh, not at all. The American will not do it. The American labor is adapted for a higher class of work.

Senator SIMMONS. Not adapted at all to the work that is performed by the unskilled labor?

Mr. SCHWAB. They do not do it because they get better work to do.

Senator SIMMONS. Is it not because they get better wages?

Mr. SCHWAB. Naturally; that is because the work is better.

Senator SIMMONS. You get these men, then, in the last analysis, because they are willing to do this work at a less wage than the American would do it?

Mr. SCHWAB. You can put it that way; it is your way of putting it.

Senator SIMMONS. I am asking you whether it is so.

Mr. SCHWAB. We do it because we have not the American labor that is available for it. In the South they will ask, for instance, why they use colored labor at this work. There is no white labor. White men all occupy better positions.

Senator SMOOT. For the same reason we have to use this kind of labor for digging trenches, and all that, in the West?

Mr. SCHWAB. Exactly. I would like to say one thing that I have not seen brought out at all in any of these investigations. You take this labor that works 12 hours a day; their actual period of labor during that 12 hours of service—making a guess—would not be 1 hour out of the 12 when they are actually laboring.

Senator SIMMONS. Is that true of people in the blast furnaces?

Mr. SCHWAB. Those are the people I have in mind.

Senator SIMMONS. They work about an hour a day?

Mr. SCHWAB. Of actual labor. I do not believe that 15 per cent of the day is put in in actual labor.

Senator SIMMONS. What are they doing the balance of the day?

Mr. SCHWAB. They sit around, and have to be there. The blast furnace, for example, casts its metal once every four or five hours. During that period it is necessary to have the men there. But during the intervening period there is nothing for the men to do.

Senator SIMMONS. What proportion of your labor would be subject to those conditions?

Mr. SCHWAB. Practically all those men who work 12 hours for 7 days in the week.

Senator SIMMONS. All of them?

Mr. SCHWAB. Practically all of them; that is, blast-furnace men.

Senator SIMMONS. I have seen the statement here that when you are making shifts—transferring from the day to the night shift, or vice versa—the last day you make them work 24 hours.

Mr. SCHWAB. Yes, sir; that is right. Otherwise the night turn would work always night and the day turn always day.

Senator SIMMONS. Could you not adjust that so that the men might get some sleep?

Mr. SCHWAB. I would pay handsomely for a suggestion.

Senator SMOOT. Have you found, by experience, that the statements made in a letter of May 15, 1899, which you addressed to Mr. Frick, on the question of the cost of producing steel rails, could not be carried out?

Mr. SCHWAB. You will find a very full explanation of that whole thing printed better than I could tell you now, right in the report.

Senator SIMMONS. What letter was that?

Senator SMOOT. A letter Mr. Schwab wrote to Mr. Frick on May 15, 1899. I would like to have that a part of the record.

Senator SIMMONS. Do you want to put that in the record?

Senator SMOOT. Yes.

The CHAIRMAN. The whole thing will be inserted in the record as a part of Mr. Schwab's testimony.

Senator SMOOT. And also the explanation.

The documents referred to are as follows:

PITTSBURGH, PA., May 15, 1899.

MY DEAR MR. FRICK: You asked me to give my views as to the probable future earnings of the Carnegie interests and as to the proposed reorganization on a basis of \$100,000,000 bonds, \$250,000,000 preferred stock, and \$275,000,000 common stock.

Permit me to say that, commencing in 1879 as engineer constructing the works, 10 years as general superintendent of our principal works and over 2 years as president, I feel that I know the properties and their possibilities as well, or better, than anyone in or out of the concern.

While we have been highly successful in the past, as everyone knows. I believe we are only now getting in shape to be truly successful and truly profitable. Our April profit-and-loss sheet shows earnings slightly over \$1,500,000, with rails netting us only \$17.50 and billets \$16. Lowest prices we ever had, on an average, were \$18.50 for rails and \$14.50 for billets; so, you see, we have reaped very little of the advantages of increased prices. With prices anywhere near to-day's selling prices we could easily make over \$3,000,000 per month, and then our new works to be started in two months will, I estimate on present prices, bring us an additional profit of \$600,000 per month, or a total of \$3,600,000 per month.

As to the future, even on low prices, I am most sanguine. I know positively that England can not produce pig iron at actual cost for less than \$11.50 per ton, even allowing no profit on raw materials, and can not put pig iron into rails, with their most efficient works, for less than \$7.50 per ton. This would make rails a net cost to them of \$19. We can sell at this price and ship abroad

so as to net us \$16 at works for foreign business, nearly as good as home business has been. What is true of rails is equally true of other steel products. As a result of this, we are going to control the steel business of the world.

You know we can make rails for less than \$12 per ton, leaving a nice margin on foreign business. Besides this, foreign costs are going to increase year by year, because they have not the raw materials, while ours is going to decrease. The result of all this is that we will be able to sell our surplus abroad, run our works full all the time, and get the best practice and costs in this way.

Very truly, yours,

C. M. SCHWAB, *President*.

The CHAIRMAN. Was that the letter?

Mr. SCHWAB. To the best of my knowledge, that is the letter.

The CHAIRMAN. Were those facts stated in that letter true at the time?

Mr. SCHWAB. Yes.

Mr. CLARK. I hope the chairman will publish the letter.

The CHAIRMAN. Certainly; I will hand it to the reporter and it may be published.

Mr. COCKRAN. It is dated in 1899, you say, Mr. Chairman?

The CHAIRMAN. May 15, 1899. You say it was true at that time, Mr. Schwab?

Mr. SCHWAB. It was.

The CHAIRMAN. That you could produce steel rails at \$12?

Mr. SCHWAB. We did. May I make an explanation, for you are asking questions?

The CHAIRMAN. One moment. I wish to ask you a few questions, and you will have a full opportunity to explain.

Mr. SCHWAB. Very well; go ahead.

The CHAIRMAN. You stated there that you knew positively that England could not produce pig iron at actual cost for less than \$11.50 per ton, allowing no profit on raw materials. Was that true?

Mr. SCHWAB. At that time it was.

The CHAIRMAN. And could not put pig iron into rails, with their most efficient works, for less than \$7.50 per ton?

Mr. SCHWAB. Quite right.

The CHAIRMAN. Which would make a net cost to them of \$19?

Mr. SCHWAB. Quite right.

The CHAIRMAN. While you could make them for less than \$12?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. So that the relative cost of making steel rails at that time in this country and England was \$7 less here than there?

Mr. SCHWAB. That was not quite right, but very nearly so.

The CHAIRMAN. But substantially so?

Mr. SCHWAB. Substantially; yes.

The CHAIRMAN. Now, Mr. Schwab, we will hear your explanation.

Mr. SCHWAB. First of all, I want to say that that letter was written as an enthusiastic and optimistic young man seeking preferment in a great company.

The CHAIRMAN. Well, what was your age at that time?

Mr. SCHWAB. Well, we will let the worthy chairman guess at that.

The CHAIRMAN. You have no conscientious scruples against stating your age, have you?

Mr. COCKRAN. Better let us know your age, so that we can measure the enthusiasm for truth.

Mr. SCHWAB. Mr. Cockran can be assured that the truth is it was written in an optimistic vein.

Mr. COCKRAN. It is entirely true?

Mr. SCHWAB. Yes, sir; it is. That letter was written from the point of view of a manufacturer's department; in other words, while president of the company, I was particularly in charge of operation and was anxious to make the best showing possible in that department. That \$12 per ton was actual mill cost, and it included none of the general charges which would be incident to any great business.

The CHAIRMAN. What did it include?

Mr. SCHWAB. I am going to tell you. The actual cost of making steel rail, other than interest charges, depreciation, and similar charges, which were always made by the auditing department in making up the yearly report.

The CHAIRMAN. Including the office force?

Mr. SCHWAB. Including the office force at the works, but none of the general charges of selling or administration. The English cost did include it; and I will give you this cost in detail, if I may.

The CHAIRMAN. We would be very glad to have the costs right now.

Mr. SCHWAB. I should be glad to do that. Secondly, I want to explain the motive of that letter. The letter was written at Mr. Frick's solicitation. It was at a time when he was anxious to dispose of the Carnegie Co.; and it was also written in an optimistic vein for a like reason. If you will bear that in mind in reading that letter, you will probably understand it better.

Now, I will go to the cost—as to how I arrived at a cost of \$12 at that time for making rails, which was quite true then. We were leasing our ores at that time in the Northwest. We were not large owners of ores. We started out to buy them. But we were purchasing and leasing ores, as people familiar with the trade will recollect, at 10 cents and 15 cents a ton. The cost of mining in the Mesaba, because that was about the time the Mesaba ores were being made entirely on the surface and there was no depth mining at all, that was being done at a cost of 15 to 25 cents a ton, so that our cost of ore at the mines at that time was about from 35 to 40 cents a ton. Now, we transported those ores to the Lakes for from 60 to 70 cents a ton. We transported them on the Lakes for 60 cents a ton, and we transported them from the Lakes to Pittsburgh for 70 cents a ton more.

Mr. UNDERWOOD. That makes \$2.40.

Mr. SCHWAB. I think that is right—in Pittsburgh for these ores. Now, if you will divide by 58 per cent, which was then the average amount of iron in the ore, you will get the cost of the ore to make a ton of pig iron.

The CHAIRMAN. About \$2, is it not?

Mr. SCHWAB. It is more than \$2. If you will divide by 58 you will get the exact figure. Fifty-eight per cent was the contained iron in the ores in that year. It makes quite a difference between 50 per cent and 58 per cent. I will divide it if you like, but I see several members of the committee making the calculation, and I am sure it will be correct.

Mr. DALZELL. Mr. Hill makes it \$4.31.

Mr. SCHWAB. \$4.31. Now you must allow something for loss in that, because you do not get entirely all the iron; some passes over in dust, but it will be approximately \$4.50. In that year it was from \$4.50 to \$5 a ton—\$4.50 nearly—for the amount of ore to make a ton of pig iron.

The CHAIRMAN. About \$4.50?

Mr. SCHWAB. Yes; ore to make a ton of pig iron. Now, the coke was the next thing. It cost us about \$1 a ton to make our coke at the ovens in that year, and we had the coke carried to our furnaces for 75 cents, so that you will have to add \$1.75 for fuel to make a ton of pig iron.

The CHAIRMAN. That is the total coke to make a ton of pig iron?

Mr. SCHWAB. It takes 1 ton of coke to make a ton of pig iron with 58 per cent ore.

Now, I will go on. Then you take the limestone. The limestone in the Pittsburgh pig was carried 14 miles at 10 cents a ton. Our cost of limestone was about 35 cents for each ton of pig iron. If you will add to that about \$1.65, it will cover all the expenses outside of material for making a ton of pig iron, you will have the approximate cost of a ton of pig iron that year.

The CHAIRMAN. What were those expenses, labor?

Mr. SCHWAB. Labor expense, and small things about the works.

The CHAIRMAN. Steam?

Mr. SCHWAB. Well, there was no steam in making pig iron—there was some at that time, but very little. Now, that was the cost of making pig iron in that year. If you will recollect, in that same year Pittsburgh made a great many conversion contracts for making billets, the cost of which is not widely different from the cost of making rails, at \$5 per ton above the cost of pig iron. That \$5 a ton included our profit in those years, and I am not stating anything that is not generally known. If you will add, therefore, about \$3.75 more a ton to that you will have the cost of making rails in Pittsburgh in that year—that is, the mill cost, absolutely. It was about \$12. Now, that would vary from month to month—

Mr. COCKRAN. Do you mean allowing for depreciation and things of that kind?

Mr. SCHWAB. I do not; I mean absolutely the cost at the mill. I stated that at first. My estimate was made up from the mill.

Mr. RONYNGE. You have given each of the items that make that up?

Mr. SCHWAB. I have, but I have not included depreciation, interest, or similar charges.

Mr. BONYNGE. It simply includes those items that you have mentioned, giving the amount of each item?

Mr. SCHWAB. Certainly.

Mr. COCKRAN. That would be \$5 for conversion?

Mr. SCHWAB. I can give you that in detail if you would like.

Mr. COCKRAN. But that \$5 included the profit?

Mr. SCHWAB. We had about a dollar to a dollar and a quarter.

The CHAIRMAN. How much is the total cost of converting pig iron into rails?

Mr. SCHWAB. From \$3.75 to \$4 a ton, that year.

Now, I want to tell you something else about that year. We have taken that part of the cost. We paid common labor that year a dollar a day. The lowest salary I ever received myself up to that time was in that year. There never was a time when we had everything connected with the steel industry on such a low basis as in that year. Men were most anxious for work, and you could get lots of men at from a dollar to a dollar and a quarter a day who would do the work of two men of to-day. The number of men employed in the mills was only one-half what it is under similar conditions to-day. I only speak of some of the things that go to make up the rail rates in that year. If you will read Mr. Carnegie's article on rebates you will see that we had rates in many instances one-third of what they are to-day.

Mr. HILL. Do the same conditions exist in Great Britain in regard to labor with which you made comparison at that time?

Mr. SCHWAB. Quite true; excepting this: At that time, in Great Britain, they had no mechanical appliances such as we had. Our great advantage in cost was because of our ability to mechanically produce things that they did manually.

Mr. HILL. Does that special advantage exist now?

Mr. SCHWAB. No, sir; it does not, for the reason that they have been able to adopt the things that we developed.

Mr. HILL. There is less necessity for a difference in the tariff now than there was then?

Mr. SCHWAB. I will come to that later, if I may go on, because I want to be very frank about the whole situation. I want to point out to you an apparent inconsistency which is not so inconsistent when you come to analyze it; in other words, let me put the question: "If I were writing that letter to-day, at what would I put the cost of steel rails?"

Mr. DALZELL. I was going to suggest that you tell us, in the same detail, what it would cost to-day.

Mr. SCHWAB. I would be very glad to do so. First of all, some seven or eight years ago—no, probably in 1901 or 1902, I am not sure—I testified before one of your committees in Washington that I placed a value on the ores of the United States Steel Corporation of a dollar a ton in the ground.

Mr. RANDELL. In order that I may understand you, are you going to talk in an optimistic vein or a pessimistic vein?

Mr. SCHWAB. I will let you be the judge of that; you may be the judge of that, sir. As I say, I then testified that the ore was worth a dollar a ton. It was then thought to be an optimistic estimate. I would call attention to the fact that since that time ores have not only been sold at a loss at a dollar a ton, but the lowest grade we have. I then spoke of 58 per cent ores, the same kind we have been using. The Steel Corporation are leasing to-day from the Great Northern Railroad—Mr. Hill—ores the minimum of which are 89 cents, and in three years will be above a dollar a ton. So I want you to appreciate—

Mr. UNDERWOOD. Is that royalty alone?

Mr. SCHWAB. Yes; without any cost of taking it out of the mines. Now, I can not say accurately—the Steel Corporation can testify to this—but I think from one-fifth to one-fourth of all the ores that they take out this year will probably come from the properties on which they pay from 85 cents to \$1 a ton royalty. That is first. Secondly, these mines that were formerly shovelling it—I have read in the newspapers some expert testimony on the cost of shovelling out Mesaba ores—but those ores were shoveled out at a cost of from 5 to 10 cents a ton. These mines are much deeper to-day, and much more costly to operate, and I do not believe that the Mesaba ores on an average can be produced to-day, mined to-day, anywhere below 50 cents a ton, and I think the cost is between 50 and 60 cents. You can not buy Mesaba ores to make steel, you must use old ores, or hard ores, and the cost is nearly double that, varying from 75 cents to \$1 a ton.

Mr. COCKRAN. In what proportion?

Mr. SCHWAB. The best proportion is half and half. Please put these figures down, Mr. Hill. You have the cost of the ore in the ground at \$1 per ton, as against our 10 and 15 cents I spoke of. If you will put the cost of mining now at 50 cents per ton; if you will put the cost of getting it to the Lakes at 85 cents—I am giving you actual charges now; if you will put the cost of carrying it on the Lakes at 70 cents, the cost of unloading and taking it to Pittsburgh at \$1, you will have the cost of the ores in Pittsburgh.

Mr. HILL. Has the freight rates from the mines to the Lakes increased in these 10 years?

Mr. SCHWAB. It has

Mr. HILL. How much?

Mr. SCHWAB. My best recollection is—I have not the exact figures—that it has increased from 60 to 85 cents. And it has increased on the Lakes not so much, but from 60 to 70 cents.

Mr. HILL. Then there is an increase of about \$1 in the transportation?

Mr. SCHWAB. Yes.

Mr. HILL. And the United States Steel Co. owns and controls the transportation?

Mr. SCHWAB. I can not speak about that. You must ask them about that. Now, if you will divide that by 49, which is the average percentage of iron in the ore brought down last year, you will have the cost of the ore to make a ton of pig iron during these past several years.

Mr. CALDERHEAD. Instead of 58?

Mr. SCHWAB. Instead of 58. We rejected ore up to that time that ran below 58, but now we take all of it that runs as high as 48. The other is not procurable; you can not get it.

The CHAIRMAN. Go on, Mr. Schwab.

Mr. SCHWAB. I would like to have these figures.

The CHAIRMAN. You had better make your own figures.

Mr. HILL. I make it 8.26.

Mr. SCHWAB. Well, I believe in labor saving.

Mr. DALZELL. 8.26, Mr. Hill says.

Mr. SCHWAB. If you will add what I did in the previous instance, the usual loss.

Mr. UNDERWOOD. I have worked it out and make it 8.20.

Mr. SCHWAB. Now, if you will add the usual losses in there, you will find that that will be another 50 cents a ton. I allowed a lesser amount before—

Mr. UNDERWOOD. Your figures, then, show the cost of ore at the Pittsburgh furnace, to make a ton of pig iron, amounts to \$8.50.

Mr. LONGWORTH. And it was \$4.50 in 1889?

Mr. SCHWAB. Yes, sir; I will give you further details if you desire it.

Mr. GAINES. You are talking about different figures. Mr. Underwood said \$8.50—

Mr. SCHWAB. Well, I added 50 cents a ton; \$8.75 is right.

Mr. HILL. That is right?

Mr. SCHWAB. That is about right.

Now, if you will come to the cost of coking coal, you will find that in those years coking coal in the Connellsville region—I am calling on my memory for this; Mr. Dalzell will probably know better than I—was about \$600 an acre, and to-day it is worth \$3,000 an acre, the same coal. The cost of coke, therefore, made from Connellsville coal is proportionately greater. These are approximate figures, because it is hard to fix a definite value on those two things. Therefore, I know that coke may not be produced in the ovens to-day under \$1.50 a ton; and—I am not quite sure of this—but I think the freight rate to Pittsburgh is 85 cents, again, on coke. It is within 10 cents.

Mr. HILL. You mean to make a ton of iron?

Mr. SCHWAB. No; I mean that is for a ton of coke. Now, this is a thing I would also call your attention to. In the year I wrote that letter 1 ton of coke made 1 ton of pig iron, because the ores contained 58 per cent of iron. Last year it took 1½ tons of coke to make 1 ton of pig iron, because the ore only contained 39 per cent of iron. Therefore, you must add one-fourth to the value—

Mr. HILL. That is 52½, which would make \$2.62 for the coke.

Mr. SCHWAB. If you will add that to the \$8.50 you have \$11.10, or something like that.

Mr. HILL. Then there is another item, there is labor.

Mr. SCHWAB. There is limestone. It costs 30 cents to mine limestone and \$1.20 to take it to Pittsburgh—\$1.50. And you use about one-half a ton of lime to pig, making 75 cents for your lime for each ton of pig iron. The reason that more lime is used now than in that year is because the ores are leaner now. There is more waste material to flux away. I want to make this—

Mr. HILL. That makes \$12.13 for your cost, eliminating your office force?

Mr. SCHWAB. No; there is another item to go in there yet; you have your labor and your conversion cost, which you can put now at about \$1.25 or \$1.30.

Mr. CRUMPACKER. What is the last item?

Mr. SCHWAB. The labor and charges other than material.

Mr. HILL. How much—\$1.30?

Mr. SCHWAB. About \$1.30. That is about the cost of making pig iron in Pittsburgh to-day. And if you will add the general charges the cost is about \$14. I mean to make a ton of pig iron in Pittsburgh.

Mr. CALDERHEAD. What do you include in general charges?

Mr. SCHWAB. General administrative expenses and similar items.

Mr. HILL. The taxes and insurance?

Mr. SCHWAB. No; the works' taxes have been included in the other.

Now, I would like to make one explanation. There are works and works. Some works can do a little better than other works. But what I have given you is the nearest average of one of the good works of Pittsburgh. My assertion can well be borne out. If you have examined the papers recently you know that nearly all the furnaces in the valley and about Pittsburgh have been shut down this year because, as many of the operators told me, they could not afford to sell pig iron at \$14 a ton. If you have noted, that has been about the market for pig. The pig will cost, for converting it into rails—I do not believe we can convert it from pig iron into rails, in our mill, for less than \$7.50 a ton to-day.

The CHAIRMAN. Making a total cost of \$21.50?

Mr. SCHWAB. About that; yes, sir.

The CHAIRMAN. \$14 and \$7.50—

Mr. HILL. One moment.

Mr. UNDERWOOD. \$7.50?

Mr. DALZELL. You have made the pig iron cost \$14 up to this time, adding the different items given.

Mr. SCHWAB. Yes, sir; and \$7.50 for converting that into rails.

Mr. DALZELL. That would be \$21.50?

Mr. SCHWAB. Yes; that is about the cost.

Mr. HILL. You gave us the cost of conversion nine years ago as being \$8.75.

Mr. SCHWAB. Quite right; but I am telling you why it is so much more to-day.

Mr. COCKRAN. Let us have that, if you please.

Mr. SCHWAB. Yes. Let us take the question of loss first.

Mr. HILL. Your letter said your cost was going to decrease.

The CHAIRMAN. You said then that your cost was going to be less.

Mr. SCHWAB. Yes; my letter was very optimistic, and one sees things very different sometimes from what the realization is. Let me take the item of loss, Mr. Chairman. I can not give you the exact losses from memory, but they are approximately 10 per cent. Now, 10 per cent on \$8 is 80 cents loss; I mean when you convert iron into steel. You lose the silica and the carbon, which go into the air. Eighty cents loss on that. Now, there is nothing that enters into that that has not increased almost proportionately. The freights on everything you use to convert your pig iron into steel—like ganisters, like refractories, like coke for melting—has gone up two-thirds in many instances.

Mr. COCKRAN. Did you say the freight?

Mr. SCHWAB. Yes; on all the materials for converting pig iron into steel. Labor has increased more than anything else.

Mr. HILL. In your statement just now, in making a ton of pig iron you have made a reduction of 38 cents in the cost for labor.

Mr. SCHWAB. Quite so. Now, I shall tell you why. The labor in making a ton of pig iron is not skilled labor at all. It is common labor. It has not changed, or at least changed very little; and, secondly, the appliances in making pig iron have changed very radically in that period of time, while the appliances for making rails have not changed materially.

The CHAIRMAN. What do you put down as the cost of labor in converting pig iron into steel?

Mr. SCHWAR. There are several methods, so I would have to give you the cost by each method.

Mr. UNDERWOOD. Will you give the cost by the Bessemer method first, and then follow that with the cost by the open-hearth method?

Mr. SCHWAR. I will, if you like; but I would prefer not to. I will tell you the cost of one.

Mr. COCKRAN. If you will give us the figures for both, we will make the comparison.

Mr. SCHWAR. I would prefer not to give you the figures for both.

Mr. DALZELL. How do you make your steel?

Mr. SCHWAR. By the open-hearth method.

Mr. DALZELL. Will you give us the figures for that, then?

Mr. SCHWAR. Yes. The labor cost in the open-hearth part of the process is about 85 cents a ton. In the blooming mill the cost is 40 or 50 cents, and the cost of the rails proper is from \$1 to \$1.25, depending on the section, drilling, and kind of rail. That is the actual labor at the mill. Of course, there is this to be borne in mind in analyzing the cost of a ton of rails—that there is nothing that enters into the cost of a ton of rails in its finality but raw material and labor.

Mr. CALDERHEAD. What do you mean by the expression "the kind of rail"?

Mr. SCHWAR. There are different sections and weights of rails. If a rail is 50 pounds to the yard it costs more than a rail that runs 100 pounds to the yard.

Mr. HILL. You are speaking of the standard rail?

Mr. SCHWAR. Yes. Then, there are different kinds of specifications.

Mr. CALDERHEAD. Please make that a little plainer.

Mr. SCHWAR. I thought I had made that plain. When I say different kinds of rail I mean different specifications and different patterns and different weights.

Mr. FORDNEY. It costs you more per ton to make rails that run 35 pounds to the yard than to make rails that run 90 pounds?

Mr. SCHWAR. Yes.

Mr. CALDERHEAD. That is what I want.

Mr. SCHWAR. Yes. And then there are other things that also vary the cost.

The CHAIRMAN. Proceed with the remaining items of cost to make up this \$7.50.

Mr. SCHWAR. Against that cost you will have to go through the same calculation as before.

Mr. UNDERWOOD. You have labor at 85 and other items here, which I figure out make a total of \$3.65 for labor and losses.

Mr. SCHWAR. I will have to go further. The open hearth, put that at 80. It takes 100 tons of open-hearth ingots to make 80 tons of rails. So to arrive at the \$7.50 we have to go through a long calculation of percentages that I think you will find pretty difficult.

Mr. UNDERWOOD. You have to add one-fifth of this labor cost, then.

Mr. SCHWAR. Quite so.

Mr. UNDERWOOD. The labor cost would be——

Mr. SCHWAR. You will have to do the same thing with every item that enters into it.

Mr. UNDERWOOD. We have to add 45 cents there.

Mr. SCHWAR. No; 16 cents on labor.

Mr. UNDERWOOD. You said you add one-fifth.

Mr. SCHWAR. One-fifth to 80 cents.

Mr. UNDERWOOD. Oh, that would make \$3.81.

Mr. SCHWAR. Now, the other costs are made up of an infinite number of things. There is the refractories, there is manganese, there is fluxes, there is coal for cokes.

Mr. HILL. But a ton of iron does not make a ton of rails——

Mr. SCHWAR. That is an item of loss.

The CHAIRMAN. What is manganese?

Mr. SCHWAR. The ferromanganese? That question depends on the specification of the rail. You can put it at 65 cents to 85 cents for manganese.

I do not want to give you these figures offhand and then have you add them up and find that they do not add up exactly \$7.50, but you will find that they will approximate that.

Mr. HILL. Does this include the profit of \$5 a ton?

Mr. SCHWAB. No.

Mr. HILL. As in the previous statement?

Mr. SCHWAB. No.

Mr. HILL. You say you will file with the committee an itemized statement of that cost of the open-hearth steel rail?

Mr. SCHWAB. Yes.

Mr. UNDERWOOD. I would like to have you do that.

Mr. SCHWAB. I will do that.

Mr. UNDERWOOD. If any bill that this Congress may pass goes out to the country and meets with the approval of the country, it has to have facts behind it.

Mr. SCHWAB. I propose to give you the facts. You can do with the tariff, of course, as you see fit.

The CHAIRMAN. I wish you would give us the items—the cost of pig iron, what you allow for waste, the cost of labor, the cost of manganese, the cost of fuel, the cost for steel, the cost for ore—

Mr. SCHWAB. Do you want me to give them to you as you read them off?

The CHAIRMAN. No.

Mr. SCHWAB. I can give them now; I can give every item of cost that enters into it.

The CHAIRMAN. And repairs and maintenance and supplies and tools, miscellaneous and general expenses; the general expenses of the factory, and depreciation.

Mr. SCHWAB. You will have to give me that list.

The CHAIRMAN. I will give it to you.

Mr. SCHWAB. Now, I would like to state this: There has probably not been two months in the last two years in any two mills when rails have cost the same each month. So I will give you a good average cost, not the low cost or the high cost, but a good average cost.

Mr. DALZELL. I think it would be well to give us a statement as to the same things when you wrote that letter in 1899, giving us the items as applying to that time.

Mr. SCHWAB. You mean in writing?

Mr. DALZELL. Yes.

Mr. SCHWAB. I should be very glad to do so.

The CHAIRMAN. Then I would like the details of making pig iron.

Mr. SCHWAB. I have given those.

Mr. CRUMPACKER. Do you know about the cost of manufacturing pig iron and rails in detail in England and other foreign countries?

Mr. SCHWAB. Not as much in detail as I do about the cost in this country.

Mr. CRUMPACKER. Do you know any of the elements of difference in cost and their significance?

Mr. SCHWAB. I am afraid you will have to be a little more specific.

Mr. CRUMPACKER. Well, do you know the comparative cost, as a general proposition, of making pig iron and rails in this country and in foreign countries?

Mr. SCHWAB. To-day?

Mr. CRUMPACKER. Including these years.

Mr. CALDERHEAD. Let him come to that later.

Mr. SCHWAB. I am quite familiar with the other.

Mr. CRUMPACKER. I suggest he put that in his statement.

Mr. SCHWAB. I will offer what I have already said as an explanation of that letter.

The CHAIRMAN. Now, you put the total cost of steel rails—have you got the figures there?

Mr. HILL. \$20.93, I make it now.

Mr. SCHWAB. It ought to be in the neighborhood of \$21.50. It will approximate \$21.50.

The CHAIRMAN. Now, Mr. Schwab, how near is that to the average cost from 1902 down to the present time?

Mr. SCHWAB. I don't know; I would have to go through that. I couldn't give you that from memory. Suffice to say this, Mr. Chairman—let me say this: That in every year since 1900 up to date, in every year the average earnings of the employees of the steel corporation, while I was president, that the average earnings of my own employees have increased each year; there has never been one year that the average has not increased. I have not given the figures for this year yet—

The CHAIRMAN. Do you mean to say that the cost is higher for this year than for the average of the preceding years?

Mr. SCHWAB. I say I have not the figures for this year; this year has not ended yet. But up to this year the earnings of the employees in the steel works—

The CHAIRMAN. What year do you refer to when you speak of the cost as about \$22?

Mr. SCHWAB. This year; the present time.

The CHAIRMAN. What I was trying to get you to do was to compare the present year with the six or eight years preceding this year.

Mr. SCHWAB. The real cost of making rails this year is the highest in 10 years, because we have had so few rails to make. In my opinion rail makers will not have made any money on rails this year. That is the reason it is difficult to make a comparison in a year like the present.

The CHAIRMAN. This will answer the question. Do you mean to say that the average cost has not exceeded \$21.50 for the eight years preceding this year?

Mr. SCHWAB. For the eight years, I think it was less than that in 1900. I think the cost has gradually increased.

The CHAIRMAN. Each year?

Mr. SCHWAB. Each year.

Mr. CALDERHEAD. Why is that?

Mr. SCHWAB. Because everything that enters into the cost of rails has gradually increased in that time, and as I stated to you before, the average earnings of the workmen have increased every year since 1900. And so it is with freight.

The CHAIRMAN. Now, can you tell us the average price you have obtained—

Mr. SCHWAB. It has been \$28, always.

The CHAIRMAN. That has been the uniform price?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. For how long?

Mr. SCHWAB. I can not recall.

The CHAIRMAN. For five or six years?

Mr. SCHWAB. More than that.

The CHAIRMAN. Ever since the organization of the United States Steel Corporation?

Mr. SCHWAB. No. And before.

The CHAIRMAN. Before?

Mr. SCHWAB. Yes; I can not tell you the exact year, but I should say—

The CHAIRMAN. That has been the uniform price?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. \$28 a ton?

Mr. SCHWAB. Yes, sir.

Mr. CALDERHEAD. Notwithstanding the increase in wages.

Mr. SCHWAB. Notwithstanding that.

Mr. LONGWORTH. What was the price in 1899?

Mr. SCHWAB. I can not recall, but I think \$28.

Mr. HILL. You do not mean to say that the price of rails was \$28 before the organization of the United States Steel Corporation?

Mr. SCHWAB. I do.

Mr. HILL. How long?

Mr. SCHWAB. I don't know.

Mr. HILL. Well, a year?

Mr. SCHWAB. Yes.

Mr. HILL. A year before?

Mr. SCHWAB. Have you the figures?

Mr. HILL. Yes. [Reading: "In 1897, \$18.75; in 1898, \$17.62; in 1899, \$28.12."]

Mr. SCHWAB. That is right. But let me ask you to go back of that.

Mr. HILL. In 1896 the price was \$28.

Mr. SCHWAB. That is the point I want to make. I will tell you the reason for that. In the year we made rails so cheaply we had, as you well know, a very great steel-rail war between all the manufacturers, and prices went the lowest in history.

Mr. COCKRAN. They were not sold at a loss during those years?

Mr. SCHWAB. I think they were by most manufacturers.

Mr. HILL. They would not be sold at a loss according to your figures.

Mr. SCHWAB. They were not sold at a loss to my companies; I stated that in my letter to Mr. Frick.

Mr. COCKRAN. So those figures read by Mr. Hill showed a profit to your concern?

Mr. SCHWAB. A very small profit. When I say \$12 cost, that was mill cost.

Mr. COCKRAN. That was in 1899?

Mr. SCHWAB. Yes, sir. Oh, we made a profit. I said we made a profit.

Mr. COCKRAN. You say a very small profit. Now, you sold them at how much—\$18, was it, Mr. Hill, in 1899?

Mr. HILL. That was the generally quoted price. In 1899 they were \$28.12. In 1898 they were \$17.62.

Mr. COCKRAN. \$17.62?

Mr. HILL. In 1897 they were \$18.75.

Mr. COCKRAN. You charged \$28, then, at the time they cost you \$12, and you are charging \$28 now, and now they cost you \$21?

Mr. SCHWAB. That is right. That is absolutely correct. Now, I want to say something about that cost that Mr. Hill has of \$17.62. It is probably the average selling price of rails that year. You want to know why we made a small profit. I said we; I mean the Carnegie Co. The most of the rails we sold that year were sold delivered at Chicago at \$17.12, and we had to pay the freight to Chicago and didn't have much profit.

Mr. COCKRAN. But some?

Mr. SCHWAB. Yes; I said some profit.

Mr. COCKRAN. You got \$17 and then you go to \$28 without any corresponding increase at all in the cost of production. How do you account for that extraordinary rise?

Mr. SCHWAB. Well, it was time we were making some money.

Mr. COCKRAN. You had been making some before?

Mr. SCHWAB. Any manufacturing concern that goes into business and does not expect to make from 20 to 25 per cent had better not put their money in manufacturing.

Mr. COCKRAN. But here was over 100 per cent.

Mr. SCHWAB. In that special year—

Mr. COCKRAN. I am speaking of that.

Mr. SCHWAB. Yes; quite right.

Mr. COCKRAN. What I want to get at is this: Whether the relation between the law of supply and demand was what fixed your price, or whether you fixed the price at just what you were able to get?

Mr. SCHWAB. That year?

Mr. COCKRAN. I am speaking generally. Take that year. According to your figures, it actually cost about \$12.50 to produce steel?

Mr. SCHWAB. Yes.

Mr. COCKRAN. And you charged \$28 for it?

Mr. SCHWAB. Right.

Mr. COCKRAN. Now, that particular year there had been a combination of some steel manufacturers, had there not?

Mr. SCHWAB. Quite right.

Mr. COCKRAN. There was the Federal Steel Co. incorporated, I think?

Mr. SCHWAB. There was.

Mr. COCKRAN. And there was an American Steel & Wire Co. incorporated?

Mr. SCHWAB. Yes, sir.

Mr. COCKRAN. And that was the first year when there had been a consolidation of steel manufacturers?

Mr. SCHWAB. There had been no consolidation of steel-rail manufacturers at that time.

Mr. COCKRAN. Did not the Federal Steel Co. produce steel rails?

Mr. SCHWAB. Yes, sir.

Mr. COCKRAN. But they were themselves a combination of other companies. What I want to get at is this, and I will ask you to correct me if I am wrong. This jump in prices—I do not want to use any expression that is too strong—

Mr. DALZELL. Rise.

Mr. COCKRAN. Well, it was a little more than a rise, a rise in price, gradual ascent; this was at least a little more than gradual; we will call it a jump. This jump from \$17 to \$28 a ton followed a consolidation of several minor companies into some larger companies, did it not?

Mr. SCHWAB. May I correct you?

Mr. COCKRAN. Certainly, if I am wrong.

Mr. SCHWAB. If you will look back several years before that I think you will find the price was \$28 a ton.

Mr. COCKRAN. That was not my question.

Mr. SCHWAB. But you said it took place at that time. It did not take place at that time.

Mr. COCKRAN. I will have to repeat my question. Between the charge of \$17 by the producers, or thereabouts, and \$28, was there not a consolidation or had there not been several consolidations of minor companies into larger companies, of several minor companies into a few larger ones?

Mr. SCHWAB. I can not give you that from memory.

Mr. COCKRAN. About that time?

Mr. SCHWAB. You are probably——

Mr. COCKRAN. Just to refresh your memory——

Mr. SCHWAB. I will tell you very frankly, without all those questions, that we had the steel war in the years already mentioned, and it was ruinous, and the manufacturers got together and agreed to restore the price of rails to their old basis.

Mr. COCKRAN. To end competition that was ruinous would be one thing, but to take advantage of that combination to increase their profit to 100 per cent, or such a matter, would be another thing. I take it that from the small profit that you say you were making under these prices of \$17 and \$18, you then made 100 per cent?

Mr. SCHWAB. That is probably true.

Mr. COCKRAN. Then, to get back to my question: This jump, this leap, from a moderate profit to 100 per cent was coincident with a consolidation of several minor companies into some larger companies?

Mr. SCHWAB. Your conclusions are right, but your premises are wrong.

Mr. COCKRAN. Why are my premises wrong?

Mr. SCHWAB. Because the price of \$28 was established some years before there was any consolidation such as you speak of.

Mr. COCKRAN. Mr. Schwab, I can go back to a time when they were selling at \$60 or \$70, I think.

Mr. SCHWAB. That is true.

Mr. COCKRAN. But I am not——

Mr. SCHWAB. Your conclusions are entirely correct.

Mr. COCKRAN. I am entirely correct as to that?

Mr. SCHWAB. Entirely correct.

Senator WILLIAMS. I have read the explanation; I have read the letter; and I want to ask, in your explanation did you find any reason to correct any of the statements of fact?

Mr. SCHWAB. I read it last night, and I know it is all right.

Senator WILLIAMS. The statements of fact in the letter are correct?

Mr. SCHWAB. The statements of fact in the letter are correct, as well as the explanation.

Senator WILLIAMS. Of course; but, I mean, nothing in the explanation alters any statement of fact in the letter?

Mr. SCHWAB. None whatever.

Senator SMOOT. That is, in other words, in your explanation do you mean to say that to-day you can make steel rails at \$12 a ton?

Mr. SCHWAB. No; you will find that all fully stated.

Senator SMOOT. That is what the Senator asked you.

Mr. SCHWAB. I did not understand that.

Senator SMOOT. I asked Mr. Schwab if to-day he would state that steel rails could be made at the price stated in that letter.

Senator WILLIAMS. Oh, no. Mr. Schwab understood me. Of course, the statement of fact was a statement of fact at that time?

Mr. SCHWAB. Quite so.

Senator WILLIAMS. You say that the lowest price we ever had, on an average, was \$16.50 for rails.

Mr. SCHWAB. Yes.

Senator WILLIAMS. Did you make a profit at that time at that price?

Mr. SCHWAB. It held about even at the mill, without putting in any general charges.

Senator WILLIAMS. That is to say, the price at which you sold the rails—\$16.50?

Mr. SCHWAB. Yes.

Senator WILLIAMS. Did you at that time make a profit on them at that price?

Mr. SCHWAB. No.

Senator WILLIAMS. Did you suffer a loss at that price?

Mr. SCHWAB. No. I think you will find in the explanation there that we came out about even.

Senator WILLIAMS. You state \$14.50 for billets?

Mr. SCHWAB. Yes.

Senator WILLIAMS. Did you come out about even on them?

Mr. SCHWAB. Quite so.

Senator WILLIAMS. So that you might put that down as cost as well as price?

Mr. SCHWAB. At that time.

Senator WILLIAMS. In each case at that time; that is what I mean, of course.

Mr. SCHWAB. Yes.

Senator WILLIAMS. Has the price of manufacturing rails increased or decreased, then?

Mr. SCHWAB. Very greatly increased.

Senator WILLIAMS. The price of manufacturing rails has increased?

Mr. SCHWAB. Very much increased.

Senator WILLIAMS. Has the price of manufacturing billets increased or decreased?

Mr. SCHWAB. Increased.

Senator WILLIAMS. What factors entered into the increase of the price?

Mr. SCHWAB. I am trying to tell you that is all set forth in great detail, every penny of expenditure in both cases.

Senator WILLIAMS. I do not wish to pursue that inquiry if it is all here. That is all I want.

STATEMENT OF MR. GEORGE L. HAMILTON, REPRESENTING DAVIS & FURBER MACHINE CO., OF HANOVER; THE AMERICAN CARD CLOTHING CO., ASHWITH BROS., AND HOWARD BROS., OF WORCESTER.

The CHAIRMAN. You are interested in paragraph 22 of the bill, as I understand it, covering card clothing?

Mr. HAMILTON. Yes. I have written what I have to say in reference to this matter, and it will be very much easier to read it.

The CHAIRMAN. Go ahead and read your paper.

Mr. Hamilton read the paper referred to, printed in the record in full, as follows:

WASHINGTON, D. C., February 8, 1912.

SENATE FINANCE COMMITTEE, Washington, D. C.

GENTLEMEN: The manufacturers of card clothing and their employees wish to enter their protest against a reduction in duty on card clothing as proposed by the Underwood tariff bill, H. R. 18642, paragraph 22, from a specific duty of 20, 45, and 55 cents per square foot to 30 per cent ad valorem. Should this bill become a law it will mean the closing of every card-clothing manufac-

turing establishment in this country, as it will be absolutely impossible to meet foreign competition under these conditions.

Card clothing is manufactured from so many different materials which are themselves subject to different rates of duty that an ad valorem rate on a finished article would be impracticable, and has been subject to a specific rate for over 40 years.

Even under the Wilson bill, where the trend was to apply an ad valorem rate wherever possible, card clothing was subject to a specific rate of duty, and Congress has wisely provided a specific rate in all the tariff bills passed since 1883, as it is the only way to insure the collection of the proper amount of duties.

While card clothing is embraced in the metal schedule, the metal portion, namely, wire, forms only a small percentage of the value of the finished article, and in no instance is metal the component material of chief value, and to be properly classified it should be under the sundries schedule.

The component materials of chief value are leather or card cloth.

To illustrate this we hand you herewith a few samples of card clothing for your inspection and would state that it takes on an average 1 pound of wire to make 1 square foot of card clothing. The average price of card wire is England or Germany is about 14 cents a pound. The price of card clothing imported into this country, according to the statistics for the last two years, is 72.4 cents per square foot under the 45-cent rate, 87 cents per square foot under the 55-cent rate, and \$1.25 per square foot under the 20-cent rate.

This proves conclusively that wire is not the component material of chief value.

The only benefit the card-clothing manufacturers could possibly derive if this bill should become a law would be a reduction in duty of about 2.1 cents per square foot on wire, while the reduction of duty on the finished article would be from 20 cents to 30 cents a square foot.

The card-clothing industry is engaged in the production of an article that does not enter into general consumption, and consequently the demand is limited. While the amount of possible production is comparatively small, the amount of capital invested is relatively large; and as it requires the most skillful workmen who command wages from 125 to 150 per cent higher than paid in foreign countries, the present rate should be retained, for, even under the present tariff foreign manufacturers are able to undersell the domestic manufacturers, and more than one-third of the total consumption of card clothing in this country is imported.

Of the total importation of card clothing from August 6, 1909, to June 30, 1911, amounting to 809,560 square feet, 2.55 per cent was at the rate of 20 cents per square foot, 8.35 per cent was at the rate of 55 cents per square foot, and 89.10 per cent was at the rate of 45 cents per square foot.

As a further illustration of the injustice of the proposed rate, take felt-face card clothing which is subject to a specific rate of 55 cents per square foot under the present law, the duty on sufficient cloth to make one square foot of card clothing is 50.39 cents, while the proposed rate of 30 per cent ad valorem on the average price of 87 cents per square foot would be 26.1 cents duty on the finished article, or one-half of the amount of duty paid for one of the materials entering into this clothing.

In the report from the Committee on Ways and Means submitted with H. R. 18642, page 25, Table 10, comparative summary of import and duties for metals and manufactures thereof for the fiscal year 1911 with estimated imports and duties for a 12-month period under H. R. 18642, the following summary is given on card clothing:

Fiscal year 1911:		
Imports	square feet..	256, 899
Duties		\$147, 415
Twelve-month period under H. R. 18642:		
Rate of duty	per cent..	30
Estimated imports	square feet..	500, 000
Estimated duties		\$150, 000

According to these figures there must be imported into this country 100 per cent more card clothing at 30 per cent ad valorem to produce a revenue equal to what is now derived under the present tariff.

For a number of years two-thirds of the card clothing consumed here has been manufactured in this country, and one-third has been imported, and if

the proposed bill becomes a law according to their own proposition two-thirds will be imported and one-third can only be made here, and this one-third will have to be sold to meet foreign competition, which we will not be able to do.

This certainly would be a great injustice to the workman and manufacturer and will practically destroy this industry in this country.

The relative cost of card clothing to produce one yard of cloth is so small that it would not affect the price of cloth to the ultimate consumer.

Respectfully submitted.

Senator LODGE. Who are your customers?

Mr. HAMILTON. The textile manufacturers.

Senator LODGE. You sell to mills?

Mr. HAMILTON. Yes, sir.

Senator LODGE. Have you any idea about what the cost of the card clothing is in a yard of cloth?

Mr. HAMILTON. As near as we can figure it on cotton cloths, it amounts to somewhere about three ten-thousandths part of 1 cent per yard.

Senator LODGE. That is the cost?

Mr. HAMILTON. Of the card cloth.

Senator SMOOT. And a little less than that in woolen goods?

Mr. HAMILTON. Yes, sir.

Senator SMOOT. The Wilson bill provided an equivalent ad valorem rate of 48.77 per cent on card clothing, and the Wilson bill also provided for a specific duty.

Mr. HAMILTON. Yes, sir.

Senator SMOOT. Under this bill they have provided an ad valorem duty of 30 per cent. What is your opinion as to what actual protection you will receive under an ad valorem duty; as to how small it will be through undervaluations of this card cloth?

Mr. HAMILTON. We have thought of that a great deal.

Senator WILLIAMS. Is not that a question of problematics, a question of estimating as to how many men are going to lie, and how many men are going to tell the truth when they import goods? This gentleman could not possibly be an expert on that question; nor could anybody else.

Senator SMOOT. He knows this, what the valuation of card clothing from a foreign country could be placed at so that 30 per cent ad valorem would be very little protection.

Senator WILLIAMS. You can make that argument as well as he. It is no statement of fact; it is a thing that the future may or may not develop.

Mr. HAMILTON. I can say this one thing, that under the present specific duty there is no object for a foreign manufacturer to undervalue his goods. There would be, it seems to me, a great object for him to make his valuations less, anyway, and he could do so.

Senator LODGE. If you take off the specific?

Mr. HAMILTON. Yes, sir.

Senator SMOOT. What class of clothing is mostly imported into this country?

Mr. HAMILTON. We have no means of knowing that. But we think about two-thirds of the clothing is for cotton work, and the other one-third for wool and worsted and other industries.

Senator SMOOT. Under the present rate of an equivalent ad valorem of 60.06, there is one-third of the consumption in the United States imported?

Mr. HAMILTON. Yes, sir.

Senator SMOOT. And if this is cut in two, of course, the importations will greatly increase?

Mr. HAMILTON. Oh, there is no doubt of it. They propose to double the importations to make up the same amount of revenue.

The CHAIRMAN. Does anybody else desire to be heard in your delegation, Mr. Hamilton?

Mr. HAMILTON. I do not know. There is one other gentleman here.

Senator SMOOT. Can you tell me what the labor cost in the manufacture of clothing is?

Mr. HAMILTON. As near as we can figure, it is about 20 to 25 per cent.

Senator SMOOT. That is not taking into consideration the overhead charges or the foremen, but just the actual labor cost?

Mr. HAMILTON. Yes, sir.

Senator WILLIAMS. What is that; the manufacture of card clothing or clothing?

Mr. HAMILTON. Card clothing.

**STATEMENT OF MR. SPENCER MILLER, OF NEW YORK CITY, N. Y.,
REPRESENTING THE LIDGERWOOD MANUFACTURING CO.**

Mr. MILLER. There are three points in reference to the bill that I would like to call attention to. The first is the definition of a machine tool. It has been brought to my attention within the last 24 hours that by a decision of a court any tool that does work, whether it is a metal-cutting tool or a dirt-cutting tool, is a machine tool.

Senator HEYBURN. To what section of the bill are you speaking?

Mr. MILLER. I am speaking about the free list—machine tools on the free list.

The CHAIRMAN. Paragraph 73.

Mr. MILLER. If an excavator is a machine tool, it would be very serious to bring in that sort of machinery from abroad free. I have no further facts. I only ask the committee to consider that phase of the question. In other words, what is a machine tool?

Senator LODGE. And what "machine tool" covers?

Mr. MILLER. What "machine tool" covers.

The CHAIRMAN. Have you a copy of that decision?

Mr. MILLER. I have not, unfortunately.

The CHAIRMAN. Can you get a copy and furnish it to the committee?

Mr. MILLER. I will seek it out and be very happy to file it.

The next point will be found on page 91, where you provide 15 per cent on steam engines. Now, what is a steam engine? A hoisting engine, practically, and a ship's winch, are practically two steam engines, with a gear and a drum. The question is, are steam winches to come into this country as steam engines? Are hoisting engines and winches to come into this country at 15 per cent, because three-fourths of a hoisting engine is a steam engine? It seems that there should be some definition there. I presume, however, it is the intent that hoisting engines and ship winches should come in under machinery, on page 94. Here the tariff has been, under the Dingley and Payne tariffs, practically 45 per cent for a long period of

years. The conditions of business, therefore, have been produced by a long continuation of one tariff. It is proposed now to reduce this to 25 per cent. Note the result. There were \$6,792,000 of imports last year of foreign machinery. It is estimated that this will be increased to \$10,500,000. That will mean that the imports will be increased \$3,700,000, 75 per cent of which is labor; and, therefore, the American laborer loses, on that transaction, \$2,700,000. Furthermore, the Government, according to the estimate, gets less duty, so the Government loses \$186,000. In other words, the Government loses, and the American laborer loses, and, if the fundamental principle of a tariff is for the protection and prosperity of the American laborer, certainly this provision is inconsistent.

Senator LODGE. And if it is intended for revenue, it seems to be defective in that way also?

Mr. MILLER. It seems defective in that way also. Furthermore, if in 1905 practically \$3,000,000 worth of machinery was imported, \$8,000,000 in 1910, and \$6,000,000 in 1911, and it is proposed that ten million shall be imported, it will not be imported by American workmen, but imported by capitalists. Therefore, the provision of this paragraph of the bill is for the benefit of the capitalists absolutely, at the expense of the laboring man. Potatoes are consumed, of course, by the laboring man; but machinery is not purchased by laboring men; machinery is purchased purely and simply by capitalists. I have visited German works and English works; our company have works in Scotland. If it will be of advantage to this committee, I shall be very happy indeed to prepare and file the wage scale in our works in Scotland and our own works in Brooklyn.

The CHAIRMAN. The committee would be very glad if you would furnish it with your statement, which will be printed as a part of your remarks.

Mr. MILLER. I also know that the price of ship winches is less than half in England of what it is here. And I want to add that I think we make a great mistake when we underestimate the efficiency of the foreign workmen. In our own shops we recognize the foreign working men as efficient men, and we hire them.

Thereupon, at 1.10 o'clock p. m., the committee adjourned until tomorrow, Friday, February 9, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 3

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

FRIDAY, FEBRUARY 9, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

Mr. SCHLOSS. Yes, sir. I notice in the New York Herald of to-day an illustration showing how those goods are used. It is headed "The daily hint from Paris." I would like to give that to you—

The CHAIRMAN. Hand it to the stenographer, indicating such parts as you desire to have inserted as a part of your remarks.

Mr. SCHLOSS. I would like to have it inserted, if you please. It will give an idea as to how the goods are worn on dresses.

The item in the New York Herald referred to by Mr. Schloss is as follows:

THE DAILY HINT FROM PARIS.

[Illustration.]

White velvet evening gown, brocaded in white and gold. Violet satin, covered with violet mousseline de soie, gold passementerie ornaments.

The CHAIRMAN. Have you anything further to present, Mr. Schloss?

Mr. SCHLOSS. I would beg leave to have the privilege of amending my statement and adding such facts as appear from reports, for the benefit of your committee.

The CHAIRMAN. If you desire to file any statement of details, the committee will receive it and have it printed, Mr. Schloss.

Mr. SCHLOSS. I thank you.

The CHAIRMAN. Mr. George E. Bartol is here—

Mr. BARTOL. Mr. Chairman, there are three representatives of our industry here. I would ask that Mr. Wood be heard first. Mr. Wood represents the Esterbrook Pen Co.

The CHAIRMAN. Is he here?

Mr. BARTOL. He is right here.

The CHAIRMAN. Let him go ahead, then.

**STATEMENT OF MR. ALEXANDER C. WOOD, REPRESENTING THE
ESTERBROOK STEEL PEN MANUFACTURING CO., OF CAM-
DEN, N. J.**

The CHAIRMAN. State your full name, please.

Mr. WOOD. Alexander C. Wood.

The CHAIRMAN. Where do you reside?

Mr. WOOD. In Burlington County, N. J.

The CHAIRMAN. Whom do you represent?

Mr. WOOD. The Esterbrook Steel Pen Manufacturing Co., of Camden, N. J.

The CHAIRMAN. Go on with your statement.

Mr. WOOD. I wish to speak, Mr. Chairman, on paragraph 55 of House bill 18642. I think it is on page 16.

Mr. BARTOL. Page 17.

Mr. ESTERBROOK. "Pens, metallic, 25 per centum ad valorem." The present duty is 12 cents specific, which is as great as it has been for many years.

We respectfully ask for a continuance of the present specific duty of 12 cents per gross on steel and metallic pens other than gold pens.

The CHAIRMAN. Those words have been left out of the present bill.

Senator SIMMONS. About how much is the present specific rate in ad valorem?

Mr. WOOD. I did not catch that.

Senator SIMMONS. How much is the present specific rate of 12 cents in ad valorem?

Mr. WOOD. In the Underwood bill it is put down as 50 per cent ad valorem.

Senator SMOOT. What paragraph is this?

Mr. WOOD. It is paragraph 55, on page 16.

Senator SMOOT. Page 16?

Mr. BARTOL. Page 17.

Senator SMOOT. Page 16 of the bill?

Mr. WOOD. Yes.

Senator SMOOT. The present equivalent ad valorem is 49.19 per cent.

Mr. WOOD. Practically 50 per cent.

The present duty was fixed after a careful investigation of the steel-pen industry here and abroad, so as to nearly equalize the extra cost of labor and material in this country as compared with the cost in England and Germany. Here is a point I wish to emphasize. No demand for a decrease of duty on steel pens comes from the consumer.

Senator WILLIAMS. Steel what?

Mr. WOOD. Steel pens. I have been connected with the business for over 30 years, and I have never yet heard of the consumer complaining of the price of a gross of pens if he bought them in a regular way.

The CHAIRMAN. Would the reduction of duty in this bill make any perceptible difference in the retail price?

Mr. WOOD. It would not make a particle of difference, Senator. The general consumer would never know there was a difference in the duty.

There are six factories manufacturing steel pens in this country, employing a capital of about \$1,000,000. There are about 20 processes necessary in the manufacture of steel pens, in 8 of which each particular pen is handled individually. I would like to illustrate that for just a moment. The work goes through our factories in units or lots as we call them, of about 125 gross. That would be 17,280 pieces of steel, or blanks, in each lot of pens; and in each lot or batch that goes around, there would be 138,240 pieces of steel that have to be handled, each particular pen, each time it goes through those 8 processes.

We pay for those eight processes in this country \$9.30. In England they pay \$3.92. That is for the total eight processes. I think anyone would realize that \$9.30 is not too much to pay for handling, bringing the pieces down, and forming 138,240 pieces of material.

Senator SMOOT. What percentage of the cost of producing pens is the labor?

Mr. WOOD. About 66 per cent. Any reduction of duty on pens would seriously affect if not destroy and throw into foreign hands the largest portion of our business without the least benefit to the consumer, and at the same time decrease or entirely take away the wages of our employees. It is out of the question for us to attempt to decrease the wages of our employees. We would rather increase them. We think they do not earn any too much now.

Senator SMOOT. Have you a list of the wages of your employees?

Mr. WOOD. We have, relatively; yes.

Senator SMOOT. Have you it with you?

Mr. WOOD. Yes; I have it.

Senator SMOOT. Do you intend to put it in the record?

Mr. WOOD. I think Mr. Bartol has that in a more systematic way than I have, and it would save time, I think, if he takes that up. I will be as brief as I can.

The steel we use here is imported steel. We have to pay a duty on that.

Senator SIMMONS. Why can you not get the steel in this country?

Mr. WOOD. You see ours is a very small item. The tonnage of the steel we use is comparatively small. It is a very high class of steel, and the amount we use is not sufficient to tempt any steel maker in this country.

Senator SIMMONS. It is not made in this country?

Mr. WOOD. It is practically not made. It is not worth their while.

There is one other item I would like to mention. Our business is a peculiar one. The proprietary stamp, for instance, on the Esterbrook stamp, is known and it has popularized the pen; but a large part of our business is what we call imprint pens, which are made for large consumers. There is very great competition in that, and there is where we would be nearly wiped out.

I think all I wish to say further, gentlemen, is that we want to emphasize the fact that there is no demand for reduction in duty from the consumer; and, further than that, that if the duty were reduced the consumer, the general consumer, the individual consumer, would not hear of it.

The great advantage would be to the importers. If there is any demand for the reduction of the duty it will be suggested, I apprehend, by the foreign manufacturer and importer, and they are the only ones that would receive any benefit.

Senator SIMMONS. You get your steel from abroad, you say? You import all that from abroad. If this bill were passed you would get that cheaper, would you not?

Mr. WOOD. One-half a cent a pound cheaper, Senator. That would be about one-eighth of a cent to a gross of pens.

Senator SIMMONS. You say that the consumer will not get the pens any cheaper. Do you mean by that that you will not sell them to him any cheaper or that you can not sell to him any cheaper?

Mr. WOOD. It is not us. It is not the manufacturers.

Senator SIMMONS. Well, you represent the manufacturers.

Mr. WOOD. I want to explain that. It is not the manufacturer's profit that makes the price to the consumer. You see, it is a very small item. It is the margin of the dealer, of the retailer, where the cost of the pens comes in to the consumer.

Senator SIMMONS. What I wanted to ascertain of you was whether you could not sell to the consumer a little cheaper than you are selling to him now and still make a profit.

Mr. WOOD. We do not sell to the consumer.

Senator SIMMONS. I am not talking about the individual but about the trade.

Mr. WOOD. You see if a retailer buys his pens at 2 or 3 cents a gross, his margin of profit is probably 100 per cent, and it is not likely that he is going to make much difference to his purchaser. All the great price of pens is the difference between what the dealer pays to us, the manufacturers, and what he gets.

Senator SIMMONS. What I am after is this. I want to know if these pens could be sold cheaper to the consumer and yet allow the manufacturer a reasonable profit.

Mr. WOOD. Not on the present basis, Senator.

Senator SIMMONS. You could not do it on the present basis?

Mr. WOOD. No.

Senator SIMMONS. If you could not do it on the present basis, then you could not do it on any basis?

Mr. WOOD. No; and certainly not on what is provided in this bill.

Senator SIMMONS. Have you any knowledge as to what the profits in this business are?

Mr. WOOD. I do not know that I have, except in a general way, because we have not consulted each other. We are entirely independent. Every manufacturer is entirely independent; and we have no combination or anything of that sort. So we do not know.

Senator SIMMONS. You have some knowledge as to what the profit in your business is, have you not?

Mr. WOOD. Yes.

Senator SIMMONS. What are your average profits?

Mr. WOOD. Well, we make a profit. It is supposed that anybody who starts in business wants to make a reasonable profit.

Senator SIMMONS. I am not denying that. I want the fact in the record of what your profit is?

Mr. WOOD. We make a reasonable profit; what might be called a reasonable profit for a manufacturing business.

Senator SIMMONS. We would like to know what it is exactly, if you are willing to tell it. I shall not insist if you do not want to state it; but the importance to the committee in knowing what profits you are making now is in connection with whether you could sell your product cheaper than you are now selling it—whether you are not now selling it too high?

Mr. WOOD. If we had the proposed reduction, we could not make a reasonable profit for a manufacturing business.

Senator SIMMONS. That would depend on the question I asked you a little while ago; whether you are not making an unreasonable profit?

Mr. WOOD. I am telling you we are not.

Senator SIMMONS. But you are not willing to state the profit you do make?

Mr. WOOD. I do not care to state it in figures.

Senator SIMMONS. All right, if you have any objection to stating it. Of course, it might be helpful to the committee. It certainly would be helpful to me.

Senator SMOOT. You say the duty you pay upon a pound of steel—

Mr. WOOD. Is now 2 cents.

Senator SMOOT. Is 2 cents?

Mr. WOOD. Two cents a pound.

Senator SMOOT. And you say that that duty amounts to one-eighth of a cent per gross?

Mr. WOOD. It would. The change between the present duty and what is contemplated in this bill would amount to one-eighth of 1 cent on a gross of pens.

Senator SMOOT. One-eighth of a cent on a gross of pens?

Mr. WOOD. Yes.

Senator SMOOT. And to the consumer in buying 1 dozen pens it would amount to one ninety-sixth of 1 cent?

Mr. WOOD. Yes, sir.

Senator SMOOT. And that can not be given to him, or——

Mr. WOOD. Or to you, as a purchaser.

Senator SMOOT. Nor do you expect the retailer to give that difference to him?

Mr. WOOD. That is what I mean to say.

Senator WILLIAMS. I would like to ask you one question, before you sit down, without intending to press you at all. Why is it that you are unwilling to make a statement of what your profits have been.

Mr. WOOD. Ours is a close corporation. We have only a few stockholders, and I feel hardly justified in giving it out for publication.

Senator WILLIAMS. I know; but your answer is just a repetition of what you said before. Why is it that you feel that way? Do you not think that where we are dealing with a question which, from your standpoint, is a question of reasonable profit we ought to know what the profit is, so that we can judge whether it is reasonable or not?

Mr. WOOD, I think, Senator, you yourself are quite competent to judge as to what a reasonable profit for conducting a business would be.

Senator WILLIAMS. But that is the very point. Do you not think we are entitled to know in order that we may judge whether or not the profit which you are now receiving is a reasonable profit or an unreasonable one?

Mr. WOOD. Well, I am willing to tell you that in my judgment it is a very reasonable one, and I think you would think it far less than a reasonable one.

Senator WILLIAMS. But do you not think we are entitled to know what your actual profit is, so that we may say whether in our judgment it is a reasonable profit or not?

Mr. WOOD. Yes. Well, I do not know that I do.

Senator WILLIAMS. That is all.

Senator LODGE. You are a corporation, are you not?

Mr. WOOD. Yes.

Senator LODGE. Do you not make a return to the Government in connection with the matter of the corporation tax, showing what your profits are?

Mr. WOOD. Yes.

Senator LODGE. Then what objection is there to stating your profit?

Senator WILLIAMS. I beg your pardon.

Senator LODGE. I say, if he makes a return for the corporation tax he is bound by that.

Senator WILLIAMS. You say it is a close corporation. I do not quite understand you.

Mr. WOOD. I mean we have only a few stockholders; it is a sort of a family arrangement.

Mr. WILLIAMS. And being a family arrangement you think we ought not to inquire into family affairs?

Senator CLARK. I would like to ask you one question. Can you give any information to the committee as to where the committee can find out what the ordinary profit is in your line of business—if you are not willing to tell it yourself?

Mr. WOOD. I do not know. I suppose the Government report would show.

Senator CLARK. What Government report?

Mr. WOOD. The report we make—our annual report to the income tax people.

Senator CLARK. You make that as an open, public report; do you?

Mr. WOOD. No; that is a confidential report, as I understand it, to the Government.

Senator CLARK. To the Government?

Mr. WOOD. Yes.

Senator CLARK. To what branch of the Government?

Senator WILLIAMS. It is confidential with the President, too; not with us.

Senator CLARK. It is confidential with what department of the Government?

Senator SIMMONS. The Internal Revenue branch.

Mr. WOOD. Yes.

Senator CLARK. What I am trying to get at is this: You appear before the committee insisting that your business will not stand any reduction in the tariff. This committee has not access to the confidential reports of the executive department, and it is necessary, if the committee is to be properly informed, it seems to me, that it be informed from sources that are able to give the information. It is a little unfair to the committee, I think, to come before it, and insist that a condition will result that your business will not stand, and still decline to give the committee information upon which it might form a judgment.

Mr. WOOD. The Senator asked me what I considered a reasonable return on a manufacturing business, and I thought that 10 per cent income was a reasonable return.

Senator WILLIAMS. But do you state that 10 per cent is what you earn?

Mr. WOOD. Yes; I am willing to state that.

Senator WILLIAMS. Do you earn more than 10 per cent, or less?

Mr. WOOD. In very fat years we have earned a little more, and in lean years less.

Senator WILLIAMS. During the last 10 years what would be the average?

Mr. WOOD. I should suppose we have averaged 10 per cent.

Senator WILLIAMS. That is, 10 per cent net profit.

Mr. WOOD. Net profit.

Senator WILLIAMS. Over and above all expenses?

Mr. WOOD. Yes; that is what I mean.

Senator McCUMBER. I would like to ask if you have any competition in this country from foreign importations?

Mr. WOOD. There is very active competition. There are six of us, and we are in very active competition.

Senator McCUMBER. You are in very active competition among yourselves; but I mean from foreign importations?

Mr. WOOD. Oh, yes; all the time.

Senator McCUMBER. What percentage of the pens used in this country are imported?

Mr. WOOD. Between five and six hundred thousand gross are imported.

Senator McCUMBER. And that would be about what percentage?

Mr. WOOD. I think we make something like 2,000,000 gross in this country—two or three million gross.

Senator McCUMBER. And there is about five——

Mr. WOOD. There are six factories in this country.

Senator McCUMBER (continuing). About 500,000 gross, you say, imported?

Mr. WOOD. Between five and six hundred thousand gross imported, according to the statistics given here.

Senator McCUMBER. That is evidence, at least, that the tariffs are not so high but that there can be importations and competition in the manufacturing of pens.

Mr. WOOD. Yes.

Senator McCUMBER. I also understand you to say the tariff upon the importation of pens is so light that, considering the selling price by the retailer to the general consumer, it would be so small, such a mere bagatelle, that it would not be taken into consideration at all. Is that what you mean to be understood as saying?

Mr. WOOD. Yes.

Senator WILLIAMS. I do not know whether I correctly understood you or not, but did I, when I understood you to say that the retailer's profit was about 100 per cent?

Mr. WOOD. It very often is, and more.

Senator McCUMBER. The retailer often sells two or three pens, or four or five at a time, and deals in pennies in his sales?

Mr. WOOD. That is so; and he necessarily must have a considerable profit. A retailer can not carry on business unless he has that.

Senator McCUMBER. And when you say "retailer's profit," you mean that he sells them for 100 per cent more than he pays for them?

Mr. WOOD. Exactly.

Senator McCUMBER. And that does not represent his net profit by any means?

Mr. WOOD. Not at all.

Senator WILLIAMS. It does if he sells all he buys, does it not, minus whatever the pens are chargeable with, as in any general business, such as hiring clerks and paying rent, etc.?

Mr. WOOD. Yes; on a penny business.

Senator WILLIAMS. If he were selling paper, envelopes, and books, as they usually do, that would not form the major part of his expense by any means, would it?

Mr. WOOD. No.

Senator WILLIAMS. In other words, it would be proportional merely to the balance of the stock carried?

Mr. WOOD. Exactly.

Senator McCUMBER. Except that in the matter of pens in the retail business generally you are dealing with very small sums of money, and are taking your time in handling articles that are sold for a penny, 5 cents, etc.

Mr. WOOD. Yes.

Senator HEYBURN. I suppose a gross of pens in a country store would represent a year's sales, probably?

Mr. WOOD. Yes. I have nothing further to present.

The CHAIRMAN. Mr. J. C. Huss.

Mr. BARTOL. Mr. Huss is not here, Mr. Chairman. I would like to introduce Mr. F. W. Lilley, representing the Eagle Pencil Co., of New York. They own a factory in London and one in New York, so he can give you a comparison of the costs in both places.

STATEMENT OF MR. F. W. LILLEY, REPRESENTING THE EAGLE PENCIL CO., NEW YORK, N. Y.

The CHAIRMAN. What is your name?

Mr. LILLEY. F. W. Lilley.

The CHAIRMAN. Whom do you represent?

Mr. LILLEY. I represent the Eagle Pencil Co., of New York City. They manufacture pencils, pens, penholders, and a lot of other things.

The CHAIRMAN. Go on with your statement, please.

Mr. LILLEY. Mr. Chairman, I will be very brief. I just want to say to the committee that the total output of pens in the United States is 2,800,000 gross; the total number of people employed in the United States by 6 factories is 940; the wages paid amount to \$400,000 a year; the capital invested is \$1,000,000; the duty on raw material is 2 cents a pound under the present tariff, or 20 per cent ad valorem. The proposed duty is 15 per cent ad valorem, which would make it a cent and a half per pound. The cost of pens to the American manufacturer is about 20 cents a gross, divided in this way:

Labor, 12 cents; raw material (steel), 4 cents; and the overhead charges, 4 cents.

In other words, between 55 and 60 per cent would be labor, and the balance of the dollar would be divided between raw material and overhead charges.

Senator SMOOT. Where does your profit come in?

Mr. LILLEY. The profit we add to that is 10 per cent. I was speaking with the president of our company yesterday, and he estimates 10 per cent above the cost of production for profits to the concern. The Eagle Pencil Co., of New York City, have a plant in New York City employing 1,300 people, and I said to the president: "Will you please show me your last week's wage account at the factory?" He showed it to me, and it amounted to \$12,642.60 at the New York factory, for 1,300 people, being an average per person per week of \$9.72.

Senator SMOOT. Does that include girls, women—

Mr. LILLEY. That includes girls, women, boys, men, and skilled workmen. The average of all the employees is \$9.72 per week for 1,300 people.

Senator SIMMONS. In that connection, can you give us any information as to what percentage of men, girls, and boys are employed?

Mr. LILLEY. About 25 per cent skilled workmen, and about 50 per cent girls. Girls can be used largely in our factory. A short time ago the Eagle Pencil Co. built a factory in old London, at Tottenham, North London, and they employ there 250 people. The object in building that factory was to manufacture pencils in England to compete with the Germans. The Germans are the greatest manufacturers of pencils in the world, and they turn out more pencils than any other country. In one place, Furth, Bavaria, Pottenstein, Bavaria, and Nuremberg, there are 15 or 16 pencil manufacturers. In the city of Birmingham, England, there are upward of 20 pen manufacturers, in one city in England alone. We have a factory in England, and I said to the president: "Will you not show me the wage account for last week that you received by mail from London?" He said, "Certainly." I knew I was coming before gentlemen who possessed

knowledge on these matters, gentlemen of scholarly attainments, and of great breadth of reading, and I did not want to come not having the cold facts. He said, "We have 250 employees in our London factory, and our last weekly pay roll was 107 pounds 9 shillings 5½ pence, or \$537.36 for the week's pay of 250 people, making an average of 9 shillings, or \$2.15 per person per week in the London factory."

Of course, we are paying dollars in the New York factory and shillings in the London factory.

Some of the Senators have asked as to the distribution of the amount. We calculate so much for labor. The 25 per cent there that is missing, of course, covers, as you all know, heat, light, power, general supervision, shipping, taxes, rent, interest on capital, machinery and repairs, and everything of that kind.

Another matter that I want to speak about is this. The president said to me: "You know, Mr. Lilley, we are buying pens from some of the Birmingham factories. We have a large factory there in London that will probably accommodate 750 people when filled. We only have 250 at present. We have lots of room to go on and manufacture pens; but there is a lot of cheap pens made and sent all over the continent of Europe, and in fact every country in the world." He said: "We buy pens from Baker & Finnemore, No. 1 James Street, Birmingham, at 1½ pence per gross." That would be 3½ cents per gross. Just fancy! They buy another lot of pens at 2½ pence, or 4½ cents; at 2½ pence, or 5 cents; and at 3 pence, or 6 cents per gross. Then they gave us a 5 per cent discount off of that. We buy those pens from Baker & Finnemore, of Birmingham, and of Hesson & Co., Wheellys Lane, Birmingham; and all the prices run about the same. Those prices are for the cheap kinds of pens.

Senator CLARK. Where do you sell those pens?

Mr. LILLEY. All over Europe. We sell them in every country in the world.

Senator CLARK. Do you sell them here?

Mr. LILLEY. No; we manufacture all our pens in New York for the American market. We could not afford to compete with those pens. Those pens cost 3 pence, and even at 12 cents specific duty they could lay them down in New York for 18 cents, you see—6 cents and 12 cents. Our pens cost us in the New York factory 20 cents a gross, in round numbers.

Senator SMOOT. They are better pens, however, than those cheap pens that you speak of?

Mr. LILLEY. Yes. Those cheap pens are rattled out very quickly. They are made of a poor quality of steel. We import all our steel from England, and it does not really pay an American manufacturer to buy that strip steel. It comes in strips like paper on a ticker. That steel is imported, and we pay a duty on it.

I do not know, Mr. Chairman and gentlemen, that I have anything further to say. I am perfectly willing to answer any questions that the Senators may wish to ask.

Senator CLARK. You say you estimate 10 per cent for net profits? How do your business profits agree with that estimated figure?

Mr. LILLEY. I beg your pardon.

Senator CLARK. How does your real profit agree with that estimated figure of 10 per cent that you make for net profits?

Mr. LILLEY. The real profit?

Senator CLARK. Yes. You start with that as a basis, that you intend to make 10 per cent on your business?

Mr. LILLEY. Ten per cent on the entire investment.

Senator CLARK. Yes. Do you make that or less than that or more than that ordinarily.

Mr. LILLEY. Well, we make less than that sometimes, and sometimes a little more than that.

Senator CLARK. Do you think that is a fair average?

Mr. LILLEY. That is a fair average. The price of pens varies. We are supplying pens to the United States Government at 12½ cents a gross under the general committee here. We supply our pens to the General Government for all departments and all offices at 16 cents a gross. We are losing money on that. The Post Office Department buys probably 190 gross of pens every year for what they call "lobby" use. They are cheap falcon pens. They are put in under keen competition. To show you the cutthroat competition among the American manufactures, Miller Bros., of Meriden, Conn., last year bid 13 cents. This year we got it at 12½ cents. So you see in Washington we put in bids on the falcon pens at 12½ cents, and all the other pens are sold for Washington at 16 cents.

Senator SMOOT. And what do they cost you?

Mr. LILLEY. Twenty cents a gross.

Senator SMOOT. All of them?

Mr. LILLEY. Yes.

Senator SMOOT. Why do you sell at a loss?

Mr. LILLEY. Because of the cutthroat competition. We can not help ourselves, if we want the business. We consider that to have the United States Government use our pens is a good advertisement, and we want to keep our factory running and keep the employees together. We do not sell all our stuff at that reduction. We have pens that we sell for 20 cents a gross. I should say that the average price of the pens would be about—well, perhaps 22 or 22½ cents.

Senator HEYBURN. Does the Government use any imported pens?

Mr. LILLEY. Yes; a few, Senator Heyburn.

Senator HEYBURN. Is it because of the fact that it is a particular class of pens, or does it come within the scope of competition in bids?

Mr. LILLEY. No; it is an individual preference for that pen. It is a liking for that particular pen.

Senator HEYBURN. By some department?

Mr. LILLEY. Well, some individual in a department. He makes a requisition, and he wants that particular pen.

Senator HEYBURN. Have you the figures as to the quantity of foreign-made pens the Government uses?

Mr. LILLEY. I would not say positively, but I think perhaps it is 1,000 gross a year. The total number of pens used would be about in the neighborhood of 60,000 gross for the Government.

Senator HEYBURN. What is that [indicating a pencil on the committee table]?

Mr. LILLEY. That is what we call a special imprint pencil, made specially for the Senators.

Senator HEYBURN. Who makes that pencil?

Mr. LILLEY. I think the Dixon Crucible Co. are making it just now. We have made it at times. They bid for them, and we bid for them. Sometimes they are a little lower than we are, and they get them.

Senator SIMMONS. Do you sell to your other customers at the same rate that you say you sell to the Government?

Mr. LILLEY. No, Senator Simmons; we do not. We could not afford to do that. There is no necessity for cutting the trade at that rate. In open competition for school contracts in the city of New York for the public schools, where there are 650,000 children, and in Chicago, where they have two-thirds of that number, in those contracts we might make a cut in the price. We consider it pretty good advertising to get the public schools to use our product and have it in the hands of every child.

Senator SIMMONS. Do you get in that case a price that is below the actual cost?

Mr. LILLEY. Yes; in many cases we do.

Senator SIMMONS. Is there enough of that sort of trade to make it necessary, in order that you may recoup yourselves, to charge other people an excessive price?

Mr. LILLEY. Senator, that is just the condition exactly, that we have to charge a price sufficient to make a profit above the cost of production. We have to make it some place, so we—

Senator SIMMONS. Do you consider that exactly just toward your general customers?

Mr. LILLEY. Well, it is a condition that we can not control.

Senator SIMMONS. Do you think it is just to sell to the Government at a little over 50 per cent of the cost of production and then make it up out of your general customers? Is that a just method of doing business?

Mr. LILLEY. I am going to answer you, and to say that it is not just, and if anyone could suggest to me how I could remedy it I would.

Senator SIMMONS. We not only remonstrate against that in connection with railroad rates, but we regulate it.

Mr. LILLEY. If I could individually remedy that, I would do so. I do not think the United States Government should buy their pens or anything they consume one penny cheaper than the jobbing trade.

Senator SIMMONS. And you do not think the city of New York should do it, either?

Mr. LILLEY. No; nor the city of Chicago.

Senator SIMMONS. Yet it seems that you voluntarily help them to do that very thing.

Mr. LILLEY. Competition is so keen among the American manufacturers that they have resorted to that sort of thing. It is a case of competitive bidding.

Senator SMOOT. Is it not a fact that if you did not get large orders your plant could not run constantly, and not running constantly the cost of manufacturing the balance of your product would be greater?

Mr. LILLEY. Exactly so.

Senator HEYBURN. You make general desk equipment, such as pens, pencils, letter openers—

Mr. LILLEY. Not letter openers. We make pencils, pens, pen-holders, rubber erasers, colored pencils, compasses—everything that they write with, almost.

Senator CLARK. What is the highest-priced steel pen that you manufacture?

Mr. LILLEY. The highest-priced pen we sell is a lithographic pen for engraving.

Senator CLARK. I mean for general use.

Mr. LILLEY. For general use, 41 cents a gross.

Senator CLARK. Do you figure any difference in the cost of production, except as to the material you use, in the various grades of your pens?

Mr. LILLEY. Yes; there is a difference.

Senator CLARK. There is a difference?

Mr. LILLEY. Yes.

Senator HEYBURN. You make a very fine-pointed engrossing pen with a great deal more care and accuracy than you employ in making an ordinary pen?

Mr. LILLEY. And with a great deal more expense. In connection with the pens that are imported from abroad, the amount of the duty that is mentioned in that bill includes a great many high-priced pens as well as medium-priced pens and some low-priced pens.

Senator SMOOT. Do you agree with Mr. Wood that the labor cost of making pens amounts to about 60 per cent of the total cost?

Mr. LILLEY. Oh, Senator Smoot, we are in a different position from the Esterbrook Pen Co. I think it would cost, from our standpoint, a shade less. I put it at from 55 to 60 per cent. He put it at 60 per cent or a little over. We have a very large plant, with 1,300 people. There are, you know, a great many charges that would be reduced for us. For instance, the selling charges would not be as much to us as to the Esterbrook Co., who sell pens only, because our men can go out and sell pencils, and it is not very much trouble to sell pens at the same time.

Senator SIMMONS. Your labor cost is about 50 per cent?

Mr. LILLEY. About 55 per cent.

Senator SIMMONS. What did I understand you to say the present duty was?

Mr. LILLEY. Twelve cents, specific.

Senator SIMMONS. What would that be in ad valorem?

Mr. LILLEY. I think the bill gives it at 50 per cent ad valorem, and the proposition by this bill is to make it 25 per cent ad valorem.

Senator SIMMONS. I understood you to say that the labor cost for manufacturing a gross of pens was about 50 per cent?

Mr. LILLEY. Yes, sir; about 55 per cent.

Senator SIMMONS. And the duty is about 50 per cent ad valorem. What is the difference between the duty and the labor cost in your mill?

Mr. LILLEY. I do not know that I could answer that, Senator, as to just exactly what it is.

Senator SMOOT. Evidently you do not understand the Senator.

Mr. LILLEY. I must admit that, Senator Smoot; I do not.

Senator SMOOT. The Senator wants to know what the difference is—

Senator SIMMONS. I want to know this—and I think I can tell the witness what I want to know as well as the Senator, probably—

Senator SMOOT. That is true.

Senator SIMMONS. I want to know what proportion of the labor cost of your pens is covered by the present ad valorem duty. It is specific now, of course.

Mr. LILLEY. The labor cost is 50 per cent of the total cost of production, and the present duty is 12 cents specific—

Senator SIMMONS. Equivalent to 50 per cent ad valorem.

Mr. LILLEY. Yes. It would depend largely on what price the British manufacturer billed his pens at. If he billed them at 25 cents, it would cost more than if he billed them at 16 cents.

Senator SIMMONS. What does he bill them at, as a rule; what is the average?

Mr. LILLEY. They bill them all the way from tuppence ha'penny up to 18 or 20 cents. They have high-grade pens over there, just as well as we have.

Senator SIMMONS. You can not tell me, then, what part of the labor cost of your pens is covered by this present duty?

Mr. LILLEY. I think Mr. Bartol has all those facts and figures. He has it all worked out in detail, down to the minutest cost of everything.

Senator SIMMONS. There is an element that claims that the duty ought to be equivalent to the labor cost plus a reasonable profit.

Senator SMOOT. The difference.

Senator SIMMONS. The difference in the labor cost plus a reasonable profit. I want you to tell me whether this 50 per cent ad valorem, when reduced to ad valorem—it is 12 cents in the present law—is sufficient to cover the labor cost or not? It looks to me as if it would be sufficient to cover the total labor cost; not the difference, but the total. But I want you to work that out.

Mr. LILLEY. I do not think it is, where we pay about four times as much as they do abroad.

Senator SMOOT. The duty to-day is not only on the cost of the labor, but the cost of the pen entirely?

Mr. LILLEY. The cost of everything.

Senator SMOOT. And therefore 49 per cent upon the labor would not be the rate that is upon the pen.

Mr. LILLEY. No.

Senator SMOOT. In other words, if the labor was 50 per cent, the duty that you would actually receive upon the pens themselves would be only half of the 49 or 50 per cent?

Mr. LILLEY. Yes, sir.

Senator SIMMONS. Can you answer me this question: Does the present rate of duty cover the difference between the labor cost here and the labor cost in Europe?

Mr. LILLEY. It does not.

Senator SMOOT. Then how much do you claim you would have to have in order to cover the difference—just the difference in labor cost?

Mr. LILLEY. Senator, the difference in wages between New York and London is 1 shilling to \$1, and 50 per cent would not cover that difference. There is a difference of 25 cents to \$1.

Senator SIMMONS. You are engaged in this business, and you come here to enlighten the committee. There is a contention—I do not make that contention, but there is a contention—that the duty ought to equal at least the difference in labor cost here and abroad. I want you to tell the committee, if you can (and if you have not expert knowledge on that subject it would be difficult, it seems to me, to get it from any source), what duty, in your judgment, is necessary to cover the difference in the labor cost.

Mr. LILLEY. I think there should be a sufficient duty to cover the difference between the total cost of the manufacture.

Senator SIMMONS. The total cost. Well, now, what duty do you think would be sufficient to cover the total cost? You have only spoken of the difference in the labor cost heretofore. You have not said that there was any difference in the material cost, and I should not think there would be, if your statement is correct that you have to import all your steel, which is your raw material. That being so, it would look like the English manufacturer had the advantage of you in the cost of his material. At least, you have not spoken up to this time of any difference against you except as to the labor cost. I want to find out whether you know what duty it would be necessary to impose in order to cover the difference between the labor cost here and abroad. I do not know anything about it. You are here as an expert.

Mr. LILLEY. The English manufacturer does not have to pay any duty on his steel.

Senator SIMMONS. That is what I said. The fact is, he has one advantage of you, apparently—

Mr. LILLEY. And he pays lower wages.

Senator SIMMONS (continuing). In the case of his raw material.

Mr. LILLEY. I can only answer that question by saying that I think the present duty is fair and just, and that it should remain the same. We are satisfied with it, and are willing to go on and work under the present duty, but if it is reduced I do not hesitate to say that the Eagle Pencil Co. probably would make arrangements to install a plant in their London factory and go on making pens over there.

Senator SMOOT. Under the present duty the importations are about 25 per cent of the American consumption value.

Senator LODGE. You stated that the labor cost in your factory is about 50 per cent?

Mr. LILLEY. Yes, sir.

Senator LODGE. About that. But that is not the difference between the labor cost here and the labor cost abroad. That has nothing to do with the difference between the two?

Mr. LILLEY. No, sir.

Senator LODGE. The difference between the two costs is in the neighborhood of 300 per cent?

Mr. LILLEY. Yes, sir.

Senator HEYBURN. Do you re-treat the steel in any way after you receive it?

Mr. LILLEY. We roll it.

Senator HEYBURN. You roll it?

Mr. LILLEY. Yes, sir.

Senator HEYBURN. Are all of the pens that you manufacture made out of the same tempered steel?

Mr. LILLEY. Just about; yes.

Senator HEYBURN. There is no difference in the raw material out of which the pens are made?

Mr. LILLEY. No, sir.

Senator SIMMONS. Did I understand you to answer the Senator from Massachusetts that the difference in the labor cost here and abroad was 300 per cent.

Mr. LILLEY. Yes; about.

Senator SIMMONS. About 300 per cent?

Mr. LILLEY. The difference in the cost is the difference shillings bear to dollars. It is four times as much.

Senator SIMMONS. Do you mean by that that if we impose a duty sufficient to equalize the labor cost, to cover the difference in the labor cost, there would have to be a duty of 300 per cent?

Mr. LILLEY. No; I do not want a duty of 300 per cent, but there are so many things—

Senator SIMMONS. But if we were going to impose a duty that would equalize the difference in the labor cost, meet the difference and provide for the difference in the labor cost, here and abroad, would it have to be a duty of 300 per cent?

Mr. LILLEY. In our individual case it would, because we are paying four times as much money as they are paying in London.

Senator SMOOT. But there is not 300 per cent difference in the cost of producing the balance of the goods?

Mr. LILLEY. No.

Senator SMOOT. And therefore you do not have 300 per cent?

Mr. LILLEY. No; certainly not.

Senator LODGE. I merely wanted to bring out the fact that the labor cost in the manufacture has nothing to do with the difference in the cost here and abroad.

Senator WILLIAMS. I understood you to say that the labor cost of your product was 55 per cent of the total cost. Is that your estimate?

Mr. LILLEY. Yes.

STATEMENT OF MR. GEORGE E. BARTOL, REPRESENTING THE HUNT PEN CO., CAMDEN, N. J.

The CHAIRMAN. State your full name, please.

Mr. BARTOL. George E. Bartol.

The CHAIRMAN. Where do you reside?

Mr. BARTOL. Philadelphia, Pa.

The CHAIRMAN. Whom do you represent?

Mr. BARTOL. The Hunt Pen Co., of Camden, N. J. I am president of the company.

The CHAIRMAN. Go on with your statement, please.

Mr. BARTOL. I want to say, first, that the only time the pen manufacturers ever get together and agree is when a change in the tariff comes up. Four years ago we met, and we have never seen each other since, that I recall. There is absolutely no agreement on anything else except the vital necessity of the continuance of the present rate of tariff.

I would like to state, gentlemen, that the ad valorem basis proposed is absolutely going to be a disappointment in its results in every respect, to the Government and to the consumer. I am speaking now of the general consumer. I mean by that the vast body of persons who buy 1 gross, 10 cents' worth, or a cent's worth of pens. The reason is that a specific duty encourages only the importation of high-grade goods. All low-grade goods are cut out. They can not afford to stand a specific duty of 12 cents a gross. Where their cost is perhaps 4 or 5 cents a gross originally in England, they can not stand a tax of 12 cents added on. The ad valorem duty brings in just the opposite condition, of encouraging the lowest-grade products to be

brought in, and discouraging the high-grade products. Therefore, the calculations made by the committee as to the past importations, averaging 24 cents a gross at the point of export, and figuring out that 12 cents was an ad valorem rate of 50 per cent, will not be at all maintained in future importations, when the ad valorem rate will permit low-priced goods to come in.

I do not make any mistake, I am sure, in stating that if the importations are trebled the duties received by the Government and the revenue derived by the Government from the importations will fall to at least one-half of the present amount collected, because the average value of the exports of pens will drop from 24 cents down to at least about 10 cents, or possibly 8 cents.

The 5-penny pen or 10-cent pen of England is a very fair, good pen. It is a pen that would compete in every respect. So that you will have to figure on an average valuation of from 8 cents to 10 cents and not 24 cents. If you treble your importations your duties collected on the basis of 25 per cent ad valorem will drop to about \$35,000 or \$40,000, instead of \$70,000, as at present collected.

Your assumption, therefore, as to the continuation of a valuation of 24 cents, I am satisfied, you will find in practice will be entirely an erroneous one.

The values, as you have heard, in England range from 1½ pence (and how they sell them at that price no human being on this side can imagine, but they are sold at that price there) up to as high as 30 and 40 cents, according to how fancy a pen it may be.

The consumers generally will not receive one atom of benefit for this reduction in duty for this reason:

The great majority of the pens of the country, I think, are sold in small quantities. School boys go in and buy a cent's worth. People go in and buy 5 cents' worth. They get six pens. They go in and buy 10 cents' worth and they get a dozen pens. This reduction is estimated to be 6 cents a gross. That is, it is a reduction from 50 per cent ad valorem to 25 per cent ad valorem. The rate proposed, which would figure out 6 cents a gross, amounts to forty-two one-thousandths of a cent per pen, or, on a 10-cent package, half a cent. That half cent will never reach the consumer. The consumer will still pay 10 cents for that package, in exactly the same way. The whole profit of that duty will go into the pockets of the importer, the jobber, and the retailer.

Now, the pen manufacturers make two entirely separate classes of pens. In our own factory one-half of our production consists of what we call proprietary pens, pens bearing our own name, pens which we advertise, and pens which we push through salesmen. That trademark, which is registered, is practically the same as a perpetual patent. The value of those pens is not based upon their actual cost. It is based upon how much, in a sense, you consider the pen ought to sell for in competition with other pens of like quality. It is a proprietary article.

Those pens we get a very fair price for. The net price to our company is about 45 cents a gross. The retailer buys those pens at that price of 45 cents and is supposed to sell them at the very lowest at a price of 75 cents. As a matter of fact, the retailer in that case makes about 80 per cent gross profit. As a matter of fact, he derives anywhere from 75 cents up to \$1.50 for the pens. We can not restrict

him. The retailers charge any price they wish to. They refuse to allow us to print the price on the box.

Senator HEBURN. Who refuses to?

Mr. BARTOL. The retailers will not buy the pens if we print the value of the reselling price on the box.

Senator CLARK. What is your profit on that particular pen?

Mr. BARTOL. At 42 cents our profit would be about 8 cents. I will give you our exact factory cost in a moment.

Senator SMOOT. That is gross profit?

Mr. BARTOL. Yes.

Senator SMOOT. Out of that do you have to pay your expenses of selling?

Mr. BARTOL. No.

Senator SMOOT. That includes that?

Mr. BARTOL. I have that all analyzed here, and I will read it in a moment. I have it in very compact form. The other half of our business consists of what we know as the imprint business, and those pens are put out in sharp competition.

Senator WILLIAMS. They are known as what?

Mr. BARTOL. Imprint pens, bearing the name of the person who buys them. Those are the competitive pens, and that business would be practically annihilated by the passage of this act. Those pens go to large corporations, and those are the people who would buy their pens abroad. They are the consumers who, of all persons, we feel would be least entitled to this profit. The express companies are all buyers of imprint pens in competition. They get them at from 22 to 24 cents a gross. The railroad companies all buy pens with their own names printed on them—the Atchison, Topeka & Santa Fe, the Pennsylvania Railroad, and so on. The name is stamped on the pens. The large industrial works, the United States Steel Corporation, the International Harvester Co., the General Electric Co., all buy those competitive pens. They will benefit by this reduction in the duty. They will simply transfer their purchases from the American producer to Europe. They will buy those pens at about 5 pence per gross, or 6 pence at the outside. They now buy them at about 24 cents, and they will benefit. Those consumers will benefit. Those large works, all those big concerns that have pens made for them, in competition, will benefit, and they will buy those pens abroad. They will be the only consumers in the United States who will benefit by this reduction. Large department stores do the same thing. They have their own line of pens that they deal in, and they advertise them; and also the large mail-order houses, like Butler Bros. and Sears, Roebuck & Co., buy these imprint pens, put their own name on them, and advertise them extensively. They buy them as cheaply as possible, in competition, and they sell them at the highest retail prices. They will all benefit; but no consumer in the ordinary sense, the consumer who buys at retail, will ever see any symptom or sign of the reduction in duty. It can not be done. It is too small to reach them, and no ad valorem rate will ever reach this case. It is a case of absolute dollars and cents and can only be met by a specific rate.

Senator SIMMONS. You say the consumer will not benefit, but your customers might get them cheaper?

Mr. BARTOL. Those large customers that I spoke of, who buy pens with their own imprint on them, will go right to England and have the English manufacturers compete for their business. The Pennsylvania Railroad, we will say, buys 5,000 or 10,000 gross of pens a year. They have no patriotism about it. They will get quotations from the other side.

Senator SIMMONS. But your proposition goes a little further than that, I think. You say that the ultimate consumer would not get them any cheaper from the retailer because of the small amount involved; but in your dealings with the jobber outside of these imprint customers you could easily reduce your rate. It might trench on your profits—

Mr. BARTOL. You will see how easily I can do it in a moment, when I give our statement of our cost of production, that I happen to have with me, taken from the report of my concern to the Internal-Revenue Bureau.

Senator SIMMONS. It might involve some loss of profit, but you could do it.

Mr. BARTOL. You will see how much margin we have from which to try to do it.

I think I have explained now about the imprint business and why that business would go abroad. That would cut our business in half. On the other hand, you will understand readily that our cost of manufacturing one-half of our production would very largely increase. We could not make one-half as cheaply as we make the whole. That would be out of the question. So we would be caught both ways. We would lose half of our business and the cost of the other half would be greatly increased.

I have here an absolute statement made directly from my original statement and books which I have in that wallet [indicating] as to the actual cost of manufacturing steel pens. This is in our own factory only. I know nothing about the others, but I know that ours is the newest plant in the United States, and we believe the best equipped plant in the United States. We do not think we are very much higher than anybody else. If we were we would have to go out of business at once.

The actual cost of manufacturing steel pens, excluding all fixed charges, managerial expenses, overhead charges, selling, advertising and distributing expenses, and interest on debt or capital—all those excluded; this is actual cost—is as follows. This is the average of seven years, and the difference between the different years is very slight.

Our cost for shop labor, per gross, was 12 and practically a quarter cents—12.26. Our cost of miscellaneous supplies (that is, little shop supplies, oil and things of that kind) amounted to 0.91 of a cent—practically nine-tenths of a cent.

The cost of our steel, per gross of pens, was 3.53 cents, or say 3½ cents. The cost of boxes and labels into which the pens were put was 2.02 cents, making a total cost of 18.74 cents.

You will see that the labor cost 12.26, which is 66 per cent of the total cost of manufacture.

The general charges, covering management, insurance, taxes, and repairs, amounted to 2.93 cents; shipping and distributing expenses (no packages included except the large wooden boxes in which the

goods go), 2.11 cents; selling expenses, including advertising, 11.14 cents, making 16.18 cents, or a total cost of 34.92 cents.

Our average sale price for seven years was 35.39 cents. Our margin of profit was 0.47 of a cent. So, Senator Simmons, that answers your question about how much we can afford to reduce to meet the changes in the bill. Our margin of profit was a little under half a cent a gross.

Senator SIMMONS. I understood you to say a little while ago you were selling the imprint pens for about 20 cents.

Mr. BARTOL. About 24 cents; and the other pens at 42 cents.

Senator SIMMONS. The others at 42 cents?

Mr. BARTOL. The proprietary pens at 42 cents; and the average of those two is 35.39 for seven years; the cost was 34.92 cents, and the margin of profit was 0.47 of a cent; and the production for seven years was 335,135 gross per annum.

Senator SIMMONS. What percentage of the business is this imprint usiness?

Mr. BARTOL. About one-half.

Senator SIMMONS. About one-half of your goods you sell below cost?

Mr. BARTOL. Yes; below our cost.

Senator SIMMONS. How much below cost?

Mr. BARTOL. Just about 10 cents below cost.

Senator SIMMONS. And the other half you sell how much above cost?

Mr. BARTOL. About 9 cents above cost. It runs about half and half.

Senator BAILEY. That cost, however, is the average cost. It does not mean that you actually sell one-half of your goods for less than they cost you to produce them?

Mr. BARTOL. At the end of the year that is the way it works out.

Senator BAILEY. I know, but you would go out of that branch of the business. You would not be here asking us to maintain this duty in order to enable you to conduct a losing business.

Mr. BARTOL. No; I do not want to be wiped out.

Senator BAILEY. That is the very branch of the business that you say would disappear under this bill.

Mr. BARTOL. Yes.

Senator BAILEY. Your reply to Senator Simmons would seem to imply that you conduct that business at a loss.

Mr. BARTOL. Yes.

Senator BAILEY. Of course I know you do not do that.

Mr. BARTOL. But it enables us to make our low average. It increases our output. It doubles our output and brings down our overhead charges.

Senator BAILEY. I understand; but no sensible man would waste what he would make on one-half of his business by continuing the other half of his business at a loss. You would be glad to give up your imprint business if you conducted it at a loss. But what I understand is that the table you have presented to the committee represents the average cost.

Mr. BARTOL. That is right.

Senator BAILEY. And of course these pens that you sell for practically half of what you receive for the others cost you very much less money than the others?

Mr. BARTOL. No; they cost us just the same.

Senator BAILEY. Then we would do you a service by passing this bill and putting you out of that branch of business, and I am in favor of doing that.

Mr. BARTOL. Twenty-two years ago, sir, the Senate and House passed a bill which put me out of business in exactly that way, the business having been established by my father some 30 years before. A little change was made in the sugar schedule which entirely wiped out our branch of the business and 10 establishments out of 14 were scrapped inside of a year.

Senator McCUMBER. Will you state to the committee how you could continue in business selling half of your goods at a loss of 10 cents a gross and selling the other half at a profit of 9 cents a gross?

Mr. BARTOL. I said that the proportion was not quite half. It is about 58 per cent proprietary and 42 per cent imprint.

Senator WILLIAMS. Why do you keep up the losing half of the business?

Mr. BARTOL. Tell me how I can sell out and I will gladly do it to-morrow.

Senator BAILEY. We will put you out of it, and if you are losing we will do you a service.

Mr. BARTOL. No; I could not even sell my plant under those circumstances.

Senator BAILEY. But if you are conducting half of the business at a loss your plant will even up.

Mr. BARTOL. No; it is still holding on.

Senator BAILEY. Do you stand here and tell this committee that you produce your cheap goods at the same cost as your higher priced goods?

Mr. BARTOL. The goods all go through the factory together. They practically cost alike, as far as I can tell. A few odd lots may have one operation left off of them. Some pens are ground and some are not. That is the only operation that would be omitted. We have to do that in order to reduce the cost of our goods. If we run the mills at half capacity the taxes and insurance and other things go on just the same.

Senator BAILEY. How can you remedy that by producing half of your goods at an actual loss? Your statement is that you produce these goods at a cost of 35 cents and you sell them at 22 and 24 cents. The bigger your business is, in that way, the worse off you are.

Mr. BARTOL. No; because we show some profit, and we have made some profit.

Senator BAILEY. I know; but your profit is out of the other branch of the business.

Mr. BARTOL. But we could not conduct the one without the other.

Senator BAILEY. You could not?

Mr. BARTOL. No.

Senator BAILEY. Of course, I am not an expert, but I know enough to know that you could, because you just told us that if we passed this bill you would be compelled to discontinue that part of the business.

Mr. BARTOL. Yes; and we would probably have to buy our other goods abroad. We would have to have them made abroad.

Senator BAILEY. If they are inducing men to engage in an industry where they lose 33½ per cent under our tariff laws that adds folly to

their iniquity, and I had not suspected that. I supposed they really encouraged you by enabling you to conduct your business at a profit.

Mr. BARTOL. I think that is not exactly the right way to look at it, because our cost would come up very greatly if we only did half the business.

Senator SIMMONS. Take this view of it: If you are selling one-half of your product to the big institutions and business of this country at a loss, and then you charge the balance of the people of this country a price sufficient to make up that loss, do you not think that works an injustice to the consumers of this country which calls for the abolition of a business or the destruction of a business based upon any such principle as that?

Mr. BARTOL. No; I do not think so.

Senator SIMMONS. I do.

Mr. BARTOL. We have created a demand for the better classes of pens, you know.

Senator SMOOT. Do you mean to say that the pen you sell at 16 cents a gross—

Mr. BARTOL. We never sold any at that price.

Senator SMOOT. Well, 24 cents a gross?

Mr. BARTOL. Twenty-four cents a gross; yes.

Senator SMOOT. Do you mean to say that the pen that you sell for, say, 24 cents a gross, costs you exactly the same to make as the pen that you sell at 42 cents a gross?

Mr. BARTOL. Yes; practically the same. There is no practical difference in the pens. I mean by that that there may be a little more finish, or something of that kind; but it would be difficult to analyze one as costing more than the other. I am not going into the cost of this kind, that kind, and the other kind of pens. The cost of the pens is all lumped in that respect. Of course, some pens cost twice as much to make as others.

Senator SMOOT. That is exactly what I want to find out. You say some pens cost twice as much to make as others?

Mr. BARTOL. Yes. A little, fine, ladies' pen only takes half the amount of material that a large pen takes, and of course the cost of that pen would be lower than the cost of a very large pen.

Senator SMOOT. Then you are speaking of averages, are you not?

Mr. BARTOL. Entirely on averages.

Senator SMOOT. I want to say this, that I would not be in favor of a business, for instance, that made two classes of pens, one of which you sold at 24 cents a gross and the other at 42 cents a gross, and both of them costing the same to make.

Mr. BARTOL. Those are average figures; they are not actual figures.

Senator SMOOT. That is what you ought to have said.

Mr. BARTOL. Those are average figures.

Senator SMOOT. That is what we have been trying to get.

Mr. BARTOL. I do not mean we have two prices, 24 cents and 42 cents.

Senator SIMMONS. I understood the witness a little while ago to say that they were practically the same classes, except that you call one imprint goods, which had the name, and the other did not have the name.

Mr. BARTOL. I said they were practically the same as to cost of manufacture, taking the average of the whole; and in the same way these are average prices.

Senator SIMMONS. Did you not say you sold these imprint goods at a loss of 10 cents?

Mr. BARTOL. About 10 cents, on the average.

Senator SIMMONS. And that you sold the same class of goods, without the imprint on them—which means the name of the purchaser—at a profit of 10 cents?

Mr. BARTOL. About that; yes. But those are average prices, not that we have one scale for this and one scale for that. Those are the average prices realized, net.

Senator SIMMONS. My question was directed as to the same quality of pen, one having the imprint on it—the name of the customer—and the other not having the imprint on it.

Mr. BARTOL. Yes. They are not absolutely alike, but they are very nearly alike. I do not think that any person sitting at an ordinary table and picking up a pen would recognize any marked difference between the two. The difference would be there in the cost of manufacture, but it would not be there in the result to you in using the pen. You would not notice a material difference.

Senator SMOOT. The 24-cent price per gross means all of the different kinds of pens that you make that come under that rate per gross?

Mr. BARTOL. That is right.

Senator SMOOT. And the 42 cents means every kind of pen you produce, whether it be a small pen for a lady or a large pen for a draftsman; it means the whole of them, and that is the general average?

Mr. BARTOL. Exactly so. We have not two special rates, one 42 and one 24.

Senator WILLIAMS. I do not quite understand that.

Senator SMOOT. Are they all general averages? The 24 cents per gross is a general average of all of that class of pens and 42 cents a gross is an average of all the other class?

Senator WILLIAMS. What is the line of demarcation between the two classes?

Mr. BARTOL. That is a matter of negotiation, practically, in each case. One line is competitive and the other is practically a trademark, noncompetitive article. A man who asks for a pen with our brand on wants that pen; he does not want the other pen. The other pen is bought only by large consumers, like these large industrial companies and railroads, who want pens with their own names on, because they buy large quantities; it is also to avoid, I am told, thefts of the pens in their own shops. The pens bearing the name of that company could not get out.

Senator WILLIAMS. The first class, then, is the class of pens on which you put the name of the other fellow, the name of the purchaser?

Mr. BARTOL. That is the imprint pen, as it is called.

Senator WILLIAMS. Is that the class of your business upon which you say you lose money?

Mr. BARTOL. That class on the average we lose money on; but we have very little selling expenses to that.

Senator WILLIAMS. Why do you persist in the business of putting fellows' names on your pens at a loss?

Mr. BARTOL. A factory has to be run at its capacity, or its charges run up tremendously. You can not run it at half capacity.

Senator WILLIAMS. But if I were losing so much on a thing, it seems to me the more I multiplied it the more I would lose.

Mr. BARTOL. But you would lose on the other end if you increased your costs so greatly by making only half capacity.

Senator WILLIAMS. So you are losing X on one class in order to gain Y upon another class of products? Is X equal to Y, or greater than Y, or less than Y?

Mr. BARTOL. Which is X and which is Y?

Senator WILLIAMS. Is the profit you make upon the one class greater than the loss you suffer upon the other?

Mr. BARTOL. It is.

Senator WILLIAMS. So that upon the whole business you consent to put men's names upon pens at a loss in order to run at full capacity, and thereby make a profit?

Mr. BARTOL. On the whole business.

Senator WILLIAMS. Out of the whole business?

Mr. BARTOL. Yes, sir.

Senator WILLIAMS. Suppose you shut off this business of putting men's names on your pens, and just attended to the other class of business, and ran full capacity at that, could you not reduce your price of pens, and make a larger profit yourself?

Mr. BARTOL. But I could not get a volume of business sufficient to run my plant; I could not increase the volume of my business.

Senator WILLIAMS. So we reach this conclusion, that you have a plant of double the capacity of profitable production?

Mr. BARTOL. No; because I make some profit on the whole plant as it is to-day.

Senator WILLIAMS. But you have a plan doubly as large as is necessary to do only a profitable business?

Mr. BARTOL. Expressed in that way. But each year that we are in business the proportion of our proprietary business increases and the profitable end becomes larger. When we started, I mean, our percentage of the proprietary business was very small. That has been gradually going up, so that the profitable part of the business is increasing and improving.

Senator McCUMBER. I want to just state to you how your testimony appears to this committee and then see if you want to change it or modify it. It appears to this committee, as it has been given, that if you manufacture pens that would cost you \$100,000, half of that, or \$50,000, you would sell to the trade and lose 10 per cent on, or \$5,000. The other half, or \$50,000, you would sell at a profit of 9 per cent, or \$4,500. Therefore in the total of your whole business you have lost \$500. I am telling you that is the way it appears upon the record as you have given it, and we want you to explain it, so that we will understand what you mean. We know that is not correct.

Mr. BARTOL. I thought I explained that the percentages are not 50 and 50; that was a rough estimate. The percentage of the proprietary goods is about 58 to 60 and of the unprofitable business about 40; or 55 and 45. I could not give you that absolutely off-hand, but there is a greater amount of the profitable than there is of the unprofitable, with a net balance to the good in the way of profit.

Senator BAILEY. You arrive at your labor cost by dividing the whole amount paid in wages by the total number of pens made, do you not, per gross, or whatever unit you use? That is the way you ascertain the labor cost?

Mr. BARTOL. Yes.

Senator BAILEY. And of course that is an average?

Mr. BARTOL. Yes.

Senator BAILEY. If you make one pen better than another, undoubtedly it costs you more to make the better pen, although in the average it would be just the same if you strike it there?

Mr. BARTOL. Yes.

Senator BAILEY. But it must be, unless you gentlemen are less sagacious about your business than I think you are, if you have a better pen it costs more to make it than it does to make the inferior pen?

Mr. BARTOL. Yes.

Senator BAILEY. And, as I understand it, it is an average?

Mr. BARTOL. It is an average.

Senator BAILEY. I take it if you have a superior and an inferior pen. It must cost you more to make the superior pen than it does the inferior; but in the way you estimate the cost there is no distinction made between them?

Mr. BARTOL. No; we lump it all together in the factory.

Senator SIMMONS. Now, it becomes very important for you to tell the committee how many kinds of pens you produce.

Mr. BARTOL. I have stated about 58 or 60 per cent proprietary pens, or high-priced pens; and somewhere about 40 or 42 per cent of the imprint goods.

Senator SIMMONS. Give the committee the difference between the proprietary pen and the imprint pen.

Mr. BARTOL. The difference?

Senator SIMMONS. The difference, yes; in the process of making, and the cost.

Mr. BARTOL. We do not separate them in the factory; it would be impossible. The lots are so small it would be impossible to separate the different classes in the factory.

Senator SIMMONS. What I want to know is the different grades of pens you make now, how many varieties?

Mr. BARTOL. We make about 175 or 180 varieties; but it would be impossible to make a distinction. We have to work on averages. You could not work on such small quantities.

Senator SIMMONS. Give us the cost of making those different varieties; what is the variation?

Mr. BARTOL. The variation might be 10 or 15 cents a gross between the cheapest and the most expensive; or 15 or 20 cents; more than that in some cases.

Senator SMOOT. Do you think that the pen that England sells for 1½ cents per gross costs the English manufacturer as much as the pen that England sells for 20 cents a gross?

Mr. BARTOL. I do not think so for one moment; but I have no idea what that pen costs.

Senator SMOOT. They make pens under the same system that you make pens here, do they not?

Mr. BARTOL. Yes; but I have never seen those English pens to which you refer; I do not know anything about them.

Senator HEYBURN. Is the distribution just the same for proprietary pens as for the pens you stamp for individuals?

Mr. BARTOL. No.

Senator HEYBURN. There is no middleman?

Mr. BARTOL. There is very little cost, indeed, in the distribution of the imprint pens.

Senator HEYBURN. The imprint pens do not involve the cost of distribution?

Mr. BARTOL. No.

Senator HEYBURN. They go directly to the factory?

Mr. BARTOL. The large buyer comes right to us and says, "I want so many thousand gross."

Senator HEYBURN. So that is one reason why you can make the imprint pens cheaper than you can the pens that have to go into the general market?

Mr. BARTOL. We do not have the same selling cost.

Senator HEYBURN. You have no selling cost, practically, connected with the imprint pens?

Mr. BARTOL. Very little.

Senator HEYBURN. You deliver them directly to the party for whom they are made?

Senator CLARK. But your selling cost is charged up against those!

Mr. BARTOL. Yes; it is averaged up against the year's business.

Senator HEYBURN. You get your money for them; you deliver them promptly; there is no middleman?

Mr. BARTOL. No middleman.

Senator HEYBURN. No distribution charges?

Mr. BARTOL. No.

Senator HEYBURN. So that you may subtract that from the cost of those pens as compared with those that go on to the market under the expenses of distribution?

Mr. BARTOL. That is correct entirely.

The CHAIRMAN. Is that all, Mr. Bartol?

Mr. BARTOL. That is all I have to say.

STATEMENT OF MR. WILLIAM DALLAS, OF UNION COUNTY, N. J., REPRESENTING CARTER, MACY & CO.

The CHAIRMAN. Mr. Dallas, whom do you represent?

Mr. DALLAS. Carter, Macy & Co.

The CHAIRMAN. Where do you reside?

Mr. DALLAS. In Union County, N. J.

The CHAIRMAN. To what paragraph of the bill do you refer?

Mr. DALLAS. Paragraph 62.

The CHAIRMAN. In what form of manufacture are you interested?

Mr. DALLAS. We are not manufacturers. I really represent the tea jobbers of this country, as well as Carter, Macy & Co.

The CHAIRMAN. What is your business?

Mr. DALLAS. Tea importers.

The CHAIRMAN. You are importers of tea, and you object to the paragraph relating to containers; is that it?

Mr. DALLAS. Yes, sir. There are three items in that paragraph to which we object. The first is the reduction of the duty from 4 cents per pound and 35 per cent to 30 per cent ad valorem. And the next exception we take is to line 22 in the paragraph, "except such as are hermetically sealed by soldering or otherwise." We insist we ought to have the clause in there, "and the value of which is destroyed by the removal of their contents."

Senator HEYBURN. You are referring to containers only?

Mr. DALLAS. Yes, Senator.

Senator SIMMONS. In which line did you say your exception was?

Mr. DALLAS. Line 22.

Senator SMOOT. That is the wording of the present law.

Mr. DALLAS. I know it is. It is a facsimile of the tariff of 1909, except the reduction in the duty.

Senator SMOOT. What did you want added there?

Mr. DALLAS. "And the value of which is destroyed by the removal of their contents."

Senator SMOOT. Would it not be destroyed if it was hermetically sealed?

Mr. DALLAS. No; that is the trouble.

Senator SMOOT. Tell us in what instance it would not be

Mr. DALLAS. One minute. There is another clause I would like to call attention to: On page 20, line 6, after "and printed matter," to add three words so that it will read "and printed matter contained therein or accompanying them."

Senator SMOOT. "Printed matter accompanying them"?

Mr. DALLAS. Yes; between "matter" and "accompanying them" insert "contained therein or."

Senator McCUMBER. Do you know under what grounds they were stricken out in the House?

Mr. DALLAS. I do not know, Senator.

Senator CLARK. Were these words in the old law?

Mr. DALLAS. They were not.

Senator CLARK. Will you not go on and explain why you want them in this?

Mr. DALLAS. This country has been flooded by teas packed in packages in Holland, London, Ceylon, India, China, and Japan. Those packages, especially from Europe, are very handsome packages. They come in here with their flimsy seal, so that they must be passed as hermetically sealed, and that seal is removable without destroying the packages. Those packages, after the contents are taken out, are used for other purposes. They are collected and sold to confectioners and all sorts of trades of that kind. On the Canadian frontiers, again, from Portland, Me., to Portland, Oreg., the country is flooded with packages packed in Canada.

Senator SMOOT. If these words were not in the law, you would immediately notice that all of the fish interests that would be imported here would have to pay a duty on the cans that the fish are in.

Mr. DALLAS. I do not know anything about the fish.

Senator SMOOT. But the fish interests are just as much to them as your interests are to you, and in the last law these words were put in "except such as are hermetically sealed by soldering or otherwise."

Senator CLARK. He does not object to them.

Senator SMOOT. You do not object to those words?

Mr. DALLAS. We do not object to those words, except we would like to follow those with these words: "And the value of which is destroyed by the removal of their contents."

Senator CLARK. Do you import your tea in bulk?

Mr. DALLAS. In bulk.

Senator CLARK. You put it in the containers now?

Mr. DALLAS. We can not now. This ruling has ruined all the tea packers, almost, in the country—driven their business away from them.

Senator CLARK. The present law?

Mr. DALLAS. The present law; yes, sir.

Senator CULLOM. Does this bill help it any or make it worse?

Mr. DALLAS. Those words would help it, provided you kept the duty at what it was.

The CHAIRMAN. You do not object to the present bill, but you want it amended?

Mr. DALLAS. We want it amended; that is all.

Senator CLARK. That is, the present law, you mean?

The CHAIRMAN. The Underwood bill amended by the insertion of the words "which are destroyed after being opened."

Senator SMOOT. And the value of which is destroyed.

Mr. DALLAS. By the removal of their contents.

Senator HEYBURN. Are you referring to the Underwood bill or the present law?

Mr. DALLAS. Both. The present law is a facsimile of this Underwood bill, except that they reduce the duty in the Underwood bill.

Senator CLARK. You want to retain the present duty?

Mr. DALLAS. We want to retain the present duty; yes.

Senator CLARK. But you want to add the words which you have mentioned?

Mr. DALLAS. Exactly; and I would like the words added that I speak of on page 20, line 6, "contained therein or."

Senator WILLIAMS. What were those words?

Mr. DALLAS. After the word "matter," "contained therein or."

The CHAIRMAN. Is the present condition the result of a judicial decision since the Payne bill was enacted?

Mr. DALLAS. It is, Senator, yes.

The CHAIRMAN. Can you refer the committee to the date of that decision, and the title of the case?

Mr. DALLAS. I could not. They are all on file in the appraiser's department of New York.

The CHAIRMAN. Will you write me a letter giving me the case?

Mr. DALLAS. I can write you a letter from New York on the subject.

The CHAIRMAN. Write me and send me the case.

Mr. DALLAS. All right.

The CHAIRMAN. Is that all?

Mr. DALLAS. That is all.

Senator SIMMONS. I wish you would explain that a little more clearly. I did not quite understand the reason for your amendment, adding "the value of which is destroyed by the removal of their contents." Just make that clear, why you want that in.

Mr. DALLAS. To prevent people from London, Holland, and other countries shipping teas in those packages, supposed to be hermetically

sealed, and which are not, with only a flimsy imitation of being hermetically sealed.

The CHAIRMAN. Tea is only an excuse for getting the package in here to be used for another purpose. It destroys the importation of tea in bulk.

Mr. DALLAS. That is right. There are cases where they have brought over low-grade teas and dumped the teas out and sold the packages to confectioners and others.

Senator CULLOM. How about the duty on tea?

Mr. DALLAS. We would like to see a duty on tea. In addition to cans coming in free from Canada, their teas come in free. But if we want to ship our teas to Canada, we have to pay 10 per cent on them.

Senator LODGE. That is for the benefit of the English teas, is it not?

Mr. DALLAS. I fancy so.

Senator SMOOT. The Dingley bill was changed in this section to prevent just what you complain of now?

Mr. DALLAS. Yes.

Senator SMOOT. But you say that the practice is of just sealing them hermetically, and in such a way that they come in now, and the customs department has ruled that they are hermetically sealed, but the cover can be removed and still have the valuable package?

Mr. DALLAS. A valuable package, without destroying the package in any sense.

Senator HEYBURN. Let us see. Do I understand that they are sealed by inclosing them in paper, the paper being sealed, and the loose screw top under the paper, that enables them to use the can, without any change, for some other purpose?

Mr. DALLAS. Exactly.

Senator HEYBURN. And the expression "hermetically sealed" is held by the department to be complied with when they are merely hermetically sealed in paper?

Mr. DALLAS. Exactly.

Senator HEYBURN. And not by soldering the screw top on the can?

Mr. DALLAS. Exactly.

Senator LODGE. What did you say about the duty? I understood you to say something about the rate of duty.

Mr. DALLAS. I said those packages coming from Canada came in free, both contents and package, and if we ship teas to Canada in bulk, or otherwise, we have to pay 10 per cent on our teas.

Senator LODGE. I mean, you said something about the change in the rate of duty.

Mr. DALLAS. Unless the duty is maintained at what it is, instead of changing that clause in the paragraph, it would simply mean that that trade is going to grow.

Senator CLARK. What is the present duty?

Mr. DALLAS. The present rate is 4 cents a pound, and 35 per cent.

Senator CLARK. What is the rate proposed in this law?

Mr. DALLAS. Thirty per cent.

Senator HEYBURN. What is the value of those cans as compared with the cheap tea that comes in?

Mr. DALLAS. In some cases the tin is as valuable as the tea. The tins are worth 9 cents, and the tea 10 cents, perhaps more than that.

Senator SMOOT. The equivalent ad valorem duty, under the present law, for 1911, was 66.53, and the proposed House bill reduces it to 30 per cent.

Mr. DALLAS. Exactly.

Senator SMOOT. You think that would have the effect of still greater importations?

Mr. DALLAS. Exactly. The importation has largely grown since the bill three years ago. There is something like 8,000,000 pounds of tea imported in those packages now.

Senator HEYBURN. They could import the tea and throw it out for the benefit they would derive from the value of the container?

Mr. DALLAS. Yes.

Senator McCUMBER. Sometimes they send it in a valuable China vase to get it in; I mean valuable compared to the contents of tea?

Mr. DALLAS. Certainly. They come in very handsome tins, some of them. I understand they have created no end of trouble for the customs department.

Senator HEYBURN. It would also result in throwing on our market this very cheap tea which was made an excuse for importing the package?

Mr. DALLAS. Exactly.

Senator SMOOT. In the present law, and in the proposed law, it says, "And the dutiable value of the same"—that is, the can or container—"shall include all packing charges, cartons, wrappings, envelopes, and printed matter accompanying them." Do you mean to say that there has been a decision that holds that a can, or a fancy box, holding tea, could be covered with paper and sealed, and that this would not apply to the box or can itself?

Mr. DALLAS. It does not; no. In another case they take a very thin piece of some sort of waterproofing, and put it in right inside of the lid, and attach that to it. That is hermetically sealed, and there have been decisions to that effect.

Senator LODGE. You suggest that amendment, "contained therein or accompanying them"?

Mr. DALLAS. Yes, sir.

Senator LODGE. Has it been ruled by the officers of the department that if the printed matter was contained in the can or other package it did not accompany it?

Mr. DALLAS. They find circulars inside of the packages—printing and advertising matter.

Senator LODGE. And if it is contained in them, they do not hold it as covered by the words "accompanying them"?

Mr. DALLAS. It has all been passed free.

Senator SMOOT. That is a strange decision.

The CHAIRMAN. That is all, Mr. Dallas.

STATEMENT OF MR. HERMANN WOLF, 451 GREENWICH STREET, NEW YORK, REPRESENTING THE AMERICAN STEEL WOOL MANUFACTURING CO.

The CHAIRMAN. You refer to paragraph 10 of the bill?

Mr. WOLF. Paragraph 10; yes, sir. The House bill changes the duty on steel wool and steel shavings from 40 per cent, under the tariff of 1909, to 20 per cent. Such reduction would drive us out of

business, and our employees would be thrown out of work. Steel wool is a highly manufactured article requiring special machinery and tools and skilled labor. Labor constitutes the principal part of the cost of production, and we pay about three times higher wages than are paid for the same work in Germany. The claim in Mr. Underwood's report that steel wool was made dutiable at 40 per cent in the act of 1909 instead of "articles manufactured from steel wire at 1½ cents per pound in addition to the rate of duty imposed upon the wire used in the manufacture of the article," is misleading. As a matter of fact, steel wool was not enumerated before 1909, and duty had been collected on steel wool from early in 1904 until just prior to the 1909 tariff at 45 per cent and since then at 40 per cent. Shortly after we went into business in 1903 we drew the attention of the Treasury Department to the anomalous condition of a highly manufactured article paying duty under the then paragraph 135. The Treasury Department ordered collection of duty of 45 per cent under the then paragraph 193. The importers protested, and litigation continued until just prior to the act of 1909, when the circuit court of appeals rendered a decision, purely on technicalities, for paragraph 137, referred to by Mr. Underwood, but on account of the few months intervening between that decision and the new tariff it did not affect us.

We also procured evidence to show that the article had been greatly undervalued, and the Board of General Appraisers made advances of about 300 per cent. Prior to our going into business, and while goods were being brought over into this country under a nominal duty, approximately between 5 per cent and 10 per cent, the price of the goods was kept very high, and it was due to us that the prices were reduced, as it is our aim to market the goods as low as possible.

Although 40 per cent does not equal the difference of the cost of the goods between this country and Europe, we are able to compete, but if reduced to 20 per cent we would be driven out of business, at least as far as manufacturing in this country is concerned.

Senator SIMMONS. For what is this wool used?

Mr. WOLF. It is used for sandpaper, emery paper, and so on, for the purpose of cleaning and rubbing down varnish.

Senator SMOOT. What is the consumption per annum?

Mr. WOLF. I do not know what our competitors produce; some of their representatives are here. I really would not want to tell our competitors what we produce. It is a very small, infant industry. I can tell you, though, the difference in the cost of labor and production between Europe and here.

Senator SMOOT. That is what we would like to have.

Mr. WOLF. Approximately. I can not give you within a half a cent or a quarter of a cent. But we figure that the wire costs in Europe 2 cents and costs us 3 cents—at least the amount of wire for 1 pound. There is always waste.

Senator SIMMONS. How much did you say?

Mr. WOLF. In Europe 2, and we pay 3. We pay about 2½ cents a pound, but there is always a loss. The labor we approximate about 10½ cents, and in Europe 4 cents. We make a great many different grades. Other manufacturing expenses are about 4½, and in Europe 3. So that there is a difference of about 9 cents, while the

average duty at the last appraisement is about 7 cents. But we are able to compete against them in view of the freight, and so on, and we have worked hard, whereas the importers have sold goods without any effort at all.

Senator SMOOT. I notice that in 1911 there were 99,982 pounds of it imported.

Mr. WOLF. Which is their surplus. They only use this as a dumping market and make money at it, because they take no trouble and use it just to make a little extra.

Senator SMOOT. You can not tell me of the amount that is manufactured in the United States?

Mr. WOLF. I tell you I can not tell you. I do not know what our competitors make, and I do not want to tell them what we manufacture. It is a very small industry, and we are trying to grow up and introduce the article and make a little money besides, if we can.

Senator CLARK. What does this sell for [indicating]?

Mr. WOLF. That is one of our finest grades. Do you mean what price we sell it for, or what price the consumer gets it at?

Senator CLARK. Both.

Mr. WOLF. The selling price is about 30 cents.

The CHAIRMAN. Thirty cents a what?

Mr. WOLF. That small package which I gave you is about 2 ounces. The list price of some of the dealers is about 75 cents a pound. With others it is less. And even if the duty were reduced, we would probably be driven out of business; but the consumer would not gain one cent.

Senator WILLIAMS. How much money is invested in this industry in the United States?

Mr. WOLF. I do not know what our competitors have invested.

Senator HEYBURN. Where do you get the raw material out of which it is made?

Mr. WOLF. Steel wire, which we buy from the American Steel & Wire Co.

Senator HEYBURN. What per cent of your cost is wages?

Mr. WOLF. About 60 per cent, actual labor. I do not speak of manufacturing expenses. About 60 per cent of the cost of the goods is actual labor, and we pay our operators—girls—from \$7.50 to \$8 or \$8.25.

Senator HEYBURN. How many people do you employ?

Mr. WOLF. We have such a small concern I am almost ashamed to tell you. We employ about 60.

Senator WILLIAMS. Do you know how many are employed in this business in the United States?

Mr. WOLF. No; I do not.

Senator CLARK. How many do you employ?

Mr. WOLF. About 60, at least, now, or a few less. But we hope we will employ more again.

The CHAIRMAN. How many concerns of this kind are there in the country?

Mr. WOLF. I think there are two or three others; one in Springfield, Ohio; one in Manchester, Mass., and one in Brooklyn, I think.

Senator WILLIAMS. It is a new industry, is it?

Mr. WOLF. Comparatively new.

Senator WILLIAMS. How long has it been in existence in this country?

Mr. WOLF. We are the first ones, and this present company has been established since 1903. But we have had all these troubles to contend with with the importers. The Treasury Department took them in hand.

Senator WILLIAMS. Have you found it profitable or unprofitable?

Mr. WOLF. We have not lost any money, but we have had hard work to make the little we did make. We go right to the consumer; somewhat to the jobber, also.

Senator WILLIAMS. What is the total amount of protection you have?

Mr. WOLF. Under the last tariff, 40 per cent.

Senator WILLIAMS. What have been your profits?

Mr. WOLF. Ours?

Senator WILLIAMS. Yes.

Mr. WOLF. A living profit; that is all. Do you want exact figures?

Senator WILLIAMS. Yes; if you can give them. If you can not, approximate, as nearly as you can, the percentage of profit.

Mr. WOLF. On our investment?

Senator WILLIAMS. Yes.

Mr. WOLF. About 10 per cent. But that has been through hard work on our part, through our constant assiduity.

Senator WILLIAMS. We all have to work hard to make 10 per cent.

Mr. WOLF. If you make it on a big capital that is more than on a small capital. All we ask for is to protect us in the difference in the cost of labor.

Senator WILLIAMS. Have you any idea what that would be?

Mr. WOLF. I showed you that that 40 per cent, under the appraisement, would not quite cover us for the difference in labor.

Senator WILLIAMS. If it does not quite cover it—

Mr. WOLF. But in view of the freight, etc., they have to pay, and insurance, and so on, to bring goods over here, that 40 per cent would about cover the difference.

Senator WILLIAMS. Just as it happens to be now, it is about right?

Mr. WOLF. If the appraisement is not reduced.

Senator WILLIAMS. Provided what?

Mr. WOLF. The Board of General Appraisers have raised the original values put on by the importers 300 per cent.

Senator HEYBURN. The duty is estimated at the port of entry now?

Mr. WOLF. Yes.

Senator HEYBURN. So it is plus the ocean freights?

Mr. WOLF. No. Excuse me; the duty is based on the supposed market value.

Senator HEYBURN. Where?

Mr. WOLF. Of the article in Germany.

Senator HEYBURN. Then the market value in Germany is very much less than it is here, is it?

Mr. WOLF. Naturally. I have been trying for the last six months, or a year, to do a little business with Central and South America, quoting our very, very lowest prices, which we make here in exceptional cases to clear our stock, and I have not been able to sell a pound yet.

Senator CLARK. As I understand your statement, the appraisers in New York take the market value, or the invoice value, from Germany; then they raise that 300 per cent before they levy the duty; is that it?

Mr. WOLF. The original invoices. They have raised the original invoices which the importers used to bring goods over for before we drew the attention of the Board of General Appraisers to the matter. In other words, this very grade which you have looked at was originally billed by the importers at 30 pfennigs, and the appraisers have raised the values two or three times, so that now it is 90 pfennigs.

Senator CLARK. That is what I want to get at. Is the 30 pfennigs or the 90 pfennigs the price that appears on the invoice of the importer?

Mr. WOLF. The most recent statement that the principal importer made was that their present actual cost is, I believe, 67 pfennigs. They took an affidavit that their importers' present actual cost is 66.75 pfennigs.

Senator CLARK. I understand an invoice is furnished by the shipper and sworn to before the consul general of the particular district where he lives?

Mr. WOLF. Yes, sir.

Senator CLARK. As to the price at which the goods are sold; is that true?

Mr. WOLF. Yes; if the invoices are honest.

Senator CLARK. Do the board of appraisers, or the appraisers in New York, raise that price when it enters the customhouse, when that invoice is made before them?

Mr. WOLF. If they think there is undervaluation.

Senator CLARK. You say they have raised that since the bill went into effect about 300 per cent?

Mr. WOLF. I did not say since the bill went into effect. This present appraisement has been in force, now, between two and three years. I merely wish to draw attention to the undervaluations which have been going on, and if the duty were reduced still further——

Senator CLARK. Then the board of appraisers, in making their appraisement, fix what they have evidence to show is the true valuation, without regard to the invoice that comes to them?

Mr. WOLF. Ordinarily the invoices are taken, because I think most invoices are honest. In this case, one shipment was confiscated some years ago in Boston on account of undervaluation, and subsequent invoices, which were the same, were gradually raised, so that the present valuation is, as I have shown, 300 per cent higher than their original bills called for. Their present bills call for, as I say, about 67 pfennigs, because they do not want to stultify themselves altogether. All I ask for is to give us a chance to manufacture and to compete. As I say, our labor is about 300 per cent more.

Senator SIMMONS. You mean as the result of these investigations the invoice price has been raised about 300 per cent?

Mr. WOLF. Which investigations?

Senator SIMMONS. These investigations into the undervaluations?

Mr. WOLF. As a result of our investigations?

Senator SIMMONS. Well, your investigations?

Mr. WOLF. Yes. We submitted it to the Board of General Appraisers, and since they have become interested themselves, those values have been raised.

Senator SIMMONS. The shippers have raised the invoice value. Now they come in invoiced about 300 per cent more than when they formerly came in?

Mr. WOLF. No; now they come in invoiced about 200 per cent more, but the appraisement, that which they have to pay duty on, is 300 per cent more than it was originally.

Senator STONE. You say originally. How far back do you go?

Mr. WOLF. Prior to 1903, when we went into business.

Senator HEYBURN. You think you have forced a more accurate valuation?

Mr. WOLF. I know it.

Senator SIMMONS. Can you give us any information as to what proportion of the consumption of this article is produced in this country?

Mr. WOLF. I can not, sir; I do not know what our competitors produce. In fact, I do not know how many competitors we have. We have only one serious one.

Senator SIMMONS. Do you know how much of it is consumed in this country?

Mr. WOLF. No, sir. We are producing it, and we have made a great fight the last few years to generalize the use. We go to factories, and we submit the goods, what they are, what they can be used for, and we hope to create a business, if we are protected in the way I am asking.

Senator SIMMONS. How many manufacturers are there, did you state?

Mr. WOLF. About four, including ourselves. There is one in Springfield, Ohio; one in Massachusetts; and, I believe, one in Brooklyn, but I am not sure.

Senator SIMMONS. Have you any idea how many laborers they all employ?

Mr. WOLF. No, sir; I can only tell you about ours.

Senator SIMMONS. Is yours average in size?

Mr. WOLF. I think ours is the largest, as yet.

Senator SIMMONS. Yours is the largest?

Mr. WOLF. Yes, sir.

Senator SIMMONS. You employ 60, you say?

Mr. WOLF. Yes, sir.

Senator SIMMONS. And there are four of them in this country?

Mr. WOLF. I am sure about two more; I am not sure about the third one.

Senator SIMMONS. You are sure about three?

Mr. WOLF. About three; yes.

Senator SIMMONS. Then there are about 180 people employed?

Mr. WOLF. I do not think so; not that many yet. We are only infants, Senator. We want to grow up.

Senator HEYBURN. What is the value of your product per year?

Mr. WOLF. The aggregate value?

Senator HEYBURN. Yes.

Mr. WOLF. Of ours?

Senator HEYBURN. Yes; what is the value of your product?

Mr. WOLF. You mean of our factory?

Senator HEYBURN. Yes; of your factory.

Mr. WOLF. Must I answer that?

Senator HEYBURN. You have come here voluntarily to talk to this committee on your own behalf.

Mr. WOLF. I am willing to tell the committee everything, but I do not want to tell our competitors. You asked me a while ago what we turned out, and I wanted to be let off that question.

Senator HEYBURN. The committee, of course, if it has not the information, can not very well deal with your petition.

Mr. WOLF. The committee has the information about the cost.

Senator HEYBURN. We should know something of the extent of the operations.

Mr. WOLF. We are small; I am almost ashamed to tell you what a small business we are in as yet.

Senator HEYBURN. All right.

Senator SIMMONS. When did you say you began to manufacture this product?

Mr. WOLF. Our present company commenced in 1903.

Senator SIMMONS. Did any commence before you did?

Mr. WOLF. Yes, sir; our predecessors. The first company sunk every cent they had. It was then bought up by one of the surviving stockholders, at a nominal price, and he dropped a great deal of money, and only commenced to just live a little when he died. We then took over the company and enlarged it, and through our enterprise managed to make a little money.

Senator HEYBURN. What is the value of your plant, approximately?

Mr. WOLF. \$30,000.

Senator WILLIAMS. What is the amount of protection you are enjoying under the present law?

Mr. WOLF. Forty per cent.

Senator WILLIAMS. How much is it reduced under this House bill?

Mr. WOLF. Twenty per cent.

Senator WILLIAMS. Reduced to 20?

Mr. WOLF. Yes, sir.

STATEMENT OF MR. LLOYD SMITH, REPRESENTING JOSEPH GILLOTT & SONS, OF BIRMINGHAM, ENGLAND, THROUGH THEIR AMERICAN AGENTS, ALFRED FIELD & CO., NEW YORK CITY.

Senator HEYBURN. What is the paragraph to which you wish to refer?

Mr. SMITH. Paragraph 55.

The CHAIRMAN. Steel pens?

Mr. SMITH. Yes, sir.

Senator HEYBURN. What paragraph in this bill?

Mr. SMITH. Paragraph 55 in the bill.

Senator SMOOT. Is your company an importer?

Mr. SMITH. Yes, sir; that is, Joseph Gillott & Sons are the manufacturers; Alfred Field & Co. are the American agents. All the business is through Alfred Field & Co., of New York City.

The CHAIRMAN. You are importers, are you?

Mr. SMITH. We are the agents. Alfred Field & Co. are known as selling agents for Joseph Gillott & Sons in the United States.

Senator SMOOT. Where is the mill located?

Mr. SMITH. In Birmingham.

Senator CULLOM. You are a Birmingham concern?

Mr. SMITH. Yes, sir.

Senator HEYBURN. Just the one product; pens?

Mr. SMITH. Joseph Gillott & Sons; yes, sir. Referring to the matter of the tariff on steel pens, we beg to state the reasons for our belief that a reduction in the tariff should be made.

First. The present specific duty, 12 cents per gross, is excessive. Imported steel pens of the grade suitable for schools, large corporations, and so forth, are practically debarred from the market of the United States.

Second. Domestic pen makers do not need the degree of protection represented by the existing rate. Evidence of the truth of this statement may be seen in the fact, as shown in the general supply list of the United States Government (this has already been referred to by one of the representatives of the American manufacturers, and the list is here) that domestic steel pens are being sold at a minimum price of 12½ cents per gross, less than the actual duty and charges paid on imported pens. Within the past year steel pens of domestic manufacture have been sold to the public schools of New York, Chicago, and Boston at a minimum price of 16 cents per gross. We would not convey the impression that the figures quoted above are the prevailing prices of American-made steel pens. It is true, however, that much of the large trade in steel pens here in the United States is handled at prices below 25 cents per gross. Obviously, therefore, a duty of 12 cents per gross is in most cases prohibitive rather than protective.

Our own preference is for a specific duty of, say, 6 cents per gross. This would permit competition in many instances, and yet keep out the low-priced and inferior steel pens of foreign make. However, should your committee determine upon an ad valorem duty, we would respectfully suggest a rate of 25 per cent; the existing rate amounts to approximately 50 per cent on all grades of pens.

May we suggest that in case an ad valorem duty is imposed on steel pens, an exception be made concerning such pens as are used for mapping, drafting, and lithographing purposes. These, while technically known as steel pens, are not used for writing in the usual sense of the word. There are no such pens as these made in the United States, and the imported product is high priced, owing to the great skill required in its manufacture. These special pens, which belong to the equipment of the draftsman, now cost \$2.50 per gross and upward, and any addition to the present duty of 15 cents per gross would simply increase that cost without materially adding to the revenues of the Government, since the output is comparatively small.

I wish to say that this brief is also signed by the Spencerian Pen Co., of New York, because our interests are the same in this respect, and therefore the argument is signed by both.

Senator STONE. The Spencerian Pen Co. Is that an American or a foreign company?

Mr. SMITH. The Spencerian Pen Co. is an American company importing foreign-made goods—foreign-made steel pens.

Senator STONE. They handle foreign-made goods only?

Mr. SMITH. They handle foreign-made goods only, the same as ourselves.

Senator CULLOM. Where are they manufactured?

Mr. SMITH. Over in Birmingham, in the factory of Perry & Co.

Senator LODGE. Do you think a specific duty is better than an ad valorem?

Mr. SMITH. Yes; for the reason that the pens which are made in foreign countries, and which are made in England, particularly, vary in price on account of the difference in the fineness of the points and the steel required in the manufacture. Drafting pens, for example, are necessarily high priced. They are made of the same quality of steel as the ordinary writing pen; but they are remarkably fine and have to be made with a great deal of care. That brings up the ultimate cost.

Senator HEYBURN. You think the duty on those very high-priced pens should be the same as on pens of a lower grade?

Mr. SMITH. Yes; I should say so.

Senator SMOOT. If the duty is reduced one-half, the importations will greatly increase, will they not?

Mr. SMITH. That is a question.

Senator SMOOT. You are an importer in this business, and do you not think that the importations will increase?

Mr. SMITH. They probably would, if the duty were reduced very much.

Senator SMOOT. One-half, as this proposes?

Mr. SMITH. It would be increased on, perhaps, the lower priced and inferior pens. That is, if the duty were made very low—for instance, a duty of 25 per cent ad valorem—on pens costing 6 pence or 4 pence, which is 12 cents and 8 cents, there, of course, you would let in the cheaper goods. That is why I wish to make it plain that it is not our purpose to assail the American manufacturers in any way. We do not want to hurt their trade at all. But we do believe the present rate is higher than it need be. We also claim that the tariff on steel pens, the steel-pen industry, has very little to do with prices here in the United States. In 1895 and 1896 and 1897 the duty was 8 cents a gross under the Wilson bill, and the pens were then sold considerably higher than they are now, when the duty is 12 cents.

Senator HEYBURN. Do you mean 1895 and 1896?

Mr. SMITH. Yes, sir.

Senator HEYBURN. That was before the passage of the Dingley bill?

Mr. SMITH. Yes, sir. I have the figures here. The competitive prices on large contracts have steadily gone down. In 1895 pens were sold to the United States Government for considerably more than they are being sold to-day, at a minimum price of 12½ cents, and a great many at 16 cents, and some at 19 cents.

Senator SMOOT. Do you mean to say the Wilson bill carried a higher rate than the Dingley bill?

Mr. SMITH. No; it is just the other way about. I say this, that the increase of the tariff has not helped the American manufacturers to get more for their pens than they did before. As a matter of fact, it worked the other way.

Senator WILLIAMS. Its purpose was to do that, was it not?

Mr. SMITH. Not being an American manufacturer, I can not tell you.

Senator WILLIAMS. The purpose of the tariff, I say, was to do that was it not, to enable them to get a higher price?

Mr. SMITH. That was their intention.

Senator WILLIAMS. If they did not get it, it must have been due to some other cause, must it not? So that your argument upon that point ought to go to some other cause?

Mr. SMITH. It is the demand that makes trade, and it is competition that makes prices, and it is competition among the American manufacturers which has resulted—

Senator WILLIAMS. But the duty which shuts off supply affects demand, does it not?

Mr. SMITH. Yes.

Senator STONE. We had a considerable demand for steel pens in 1895 and 1896?

Mr. SMITH. Yes.

Senator STONE. Relatively the same as it is now?

Mr. SMITH. Larger in 1897.

Senator STONE. Larger then than now?

Mr. SMITH. Yes, sir.

Senator STONE. Did I understand you to say that when the tariff was low, 8 cents a gross, these steel pens were higher than they are now, when the tariff is 12 cents a gross?

Mr. SMITH. Yes, sir; on competitive business, on contracts, the United States Government lists, and so forth.

Senator STONE. To what do you attribute that?

Mr. SMITH. To competition among American manufacturers entirely.

Senator STONE. To competition among American manufacturers?

Mr. SMITH. Yes, sir. Therefore, this duty on steel pens has very little bearing on the industry.

Senator STONE. Do you mean in 1895 and 1896 there was considerable competition?

Mr. SMITH. No; the competition has grown sharper every year, until this last year their price, I think, is the lowest it ever has been.

Senator STONE. It is the sharp competition now that reduces the prices?

Mr. SMITH. The sharp competition that has gone on among American pen makers since about 1890, 1892, or 1893—along there.

Senator STONE. Then is it your opinion that the tariff, whether high or low, does not affect the price of the article?

Mr. SMITH. In a way, Senator, I mean that. I do not mean it would follow it would be wise to take the tariff off altogether, let in a lot of very cheap inferior pens that are made on the other side. But the duty of 8 cents a gross, which was a third less than it is now, was just as much protection, so far as the American manufacturer was concerned, as the 12-cent rate is.

Senator HEYBURN. How were the importations then as compared with now?

Mr. SMITH. The importations in 1897—

Senator HEYBURN. 1895 and 1896?

Mr. SMITH. In 1895, 537,000 gross, and in 1896, 551,000 gross, approximately.

Senator CLARK. How much last year?

Mr. SMITH. The importation was 589,000 in 1911.

Senator STONE. Last year?

Mr. SMITH. Yes, sir.

Senator STONE. The importations, then, are about the same now as they were?

Mr. SMITH. Yes, sir.

Senator HEYBURN. How much were they in 1898 and 1899, after the passage of the Dingley bill?

Mr. SMITH. In 1898 they were 442,000 gross.

Senator HEYBURN. As compared with 1895 and 1896?

Mr. SMITH. Five hundred and fifty-one thousand.

Senator HEYBURN. It fell off about 100,000 gross?

Mr. SMITH. Yes. See how it came up again in 1907—652,000 gross.

Senator HEYBURN. Yes; but the bill did not go into effect at that time.

Senator CLARK. 1907?

Senator HEYBURN. Oh, 1907. The country has grown since then, and more people have learned to write.

Senator WILLIAMS. When the duty was 8 cents, the American market was not flooded with foreign importations.

Senator SMOOT. There was hardly any demand, was there, for them, as far as the local manufacturers were concerned? They were running on short time?

Mr. SMITH. I have not the American manufacturers' figures.

Senator SMOOT. The total production of the American manufacturers in the years 1906 and 1905 was not near what the production was in 1908.

Senator WILLIAMS. Put the total American production of those years you mention in the record.

Senator SMOOT. You can see it in the House report. It does not make any difference. If your contention is true, Mr. Smith, it makes no difference to it, does it, whether there is a high duty or a low duty; the competition is such that prices are cut so low that the tariff has nothing to do with it whatever?

Mr. SMITH. Of course those cheap goods do not enter into our calculations whatever, because we make only a high-grade steel pen.

Senator SMOOT. Therefore, you want a specific duty on that account?

Mr. SMITH. Yes, sir.

Senator SMOOT. Because the specific duty would keep out the low-priced and let you people in on the higher-priced goods?

Mr. SMITH. Yes.

Senator WILLIAMS. In other words, you want a duty that will help your business, just as these other people want one that will help theirs.

Senator STONE. What is the specific duty you want on the high-priced pens?

Mr. SMITH. Six cents a gross on all pens is what we would be very glad to see.

Senator STONE. What would be the equivalent ad valorem on the highest-priced pens?

Mr. SMITH. It would be a very small per cent, indeed, on high-priced pens such as you use, and for draftsmen; about 20 per cent.

Senator STONE. About 20 per cent?

Mr. SMITH. Yes, sir.

Senator WILLIAMS. It would be about 5 per cent?

Mr. SMITH. You mean on the drafting pens, Senator?

Senator HEYBURN. Yes; that is what he is referring to.

Mr. SMITH. I thought he meant the high-priced writing pens, upon which the duty would be about 20 per cent.

Senator HEYBURN. Your object in wanting a lower duty is that you may import more of the foreign products; is that it? You would anticipate a large increase in imports, would you not?

Mr. SMITH. The steel-pen trade, among the high-grade products, depends largely on the demand.

Senator HEYBURN. You anticipate you would have a much enlarged market for your English production if you could reduce the duty?

Mr. SMITH. We can not anticipate it; we would hope to have.

Senator HEYBURN. That is your hope, and that is the purpose you have in asking for a smaller duty, that you may have a larger market?

Mr. SMITH. Faith is the substance of things hoped for.

Senator HEYBURN. Otherwise you would have no purpose in asking for a smaller duty.

Senator CLARK. A larger margin of profit.

Senator WILLIAMS. Your object, frankly, is to build up a larger business for yourself and make more money by this change you wish inaugurated?

Mr. SMITH. We should hope to.

Senator WILLIAMS. And that is also the object of all these other gentlemen, is it not?

Senator HEYBURN. Some of them live in one country, though, and some do not.

The CHAIRMAN. Is that all?

Mr. SMITH. That is all I have to offer.

Senator SIMMONS. Do you contend, upon the basis of duties you are asking for, the American producer could compete here at a profit?

Mr. SMITH. Yes; he has all the protection he needs.

STATEMENT OF MR. THEODORE E. SMITH, OF NEW YORK CITY, REPRESENTING THE SPENCERIAN PEN CO.

Mr. T. E. SMITH. I represent the Spencerian Pen Co., which is an organization that has been established now for 50 years. It commenced from the system called the Spencerian system of penmanship, which perhaps you gentlemen in your youth remember something about. I have been connected with that company only about 35 years. We are importers. We are not manufacturers in any way; not supposed to know any of the details of manufacturing, although I know what has been told me. We import only fine grades of goods; the very best quality that can possibly be made. The price does not enter into the consideration at all. We must have the best goods; nothing else. We get a good price for our pens and we pay a duty ranging from 60 to 70 per cent; that is, on the fine goods. We have been acting as agent for Perry & Co., who are also an old English company, established in 1824, and they make a grade of goods which they send to us as agents, of which the sale is very limited; very small. It corresponds in grade with the best of the American makes. We sell them at practically about the same price as the high-priced American goods. I would say that on that grade of goods we pay from 100 to 120 per cent duty. The cheaper goods we do not import at all; would not under any consideration. We

will not make imprint goods for anybody, no matter what the price is.

Senator CLARK. You say you pay from 100 to 120 per cent on the grades that correspond to the best grades of American pens?

Mr. T. E. SMITH. Yes, sir.

Senator CLARK. Is that the rate fixed in the law?

Mr. T. E. SMITH. No, sir; that is the rate that exists now, 12 cents a gross.

Senator CLARK. Twelve cents a gross?

Mr. T. E. SMITH. Yes, sir.

Senator CLARK. That is, about 100 to 120 per cent?

Mr. T. E. SMITH. Yes, sir. We have a pen we pay 10 cents for. The duty is 12 cents a gross, to say nothing about the charges of the customhouse.

Senator LODGE. That is the highest grade pen made?

Mr. T. E. SMITH. That is the cheapest thing made.

Senator LODGE. You said the best pen.

Mr. T. E. SMITH. Oh, no.

Senator CLARK. You said it was a pen that corresponded with the best grade of American pen.

Mr. T. E. SMITH. With the best American pens.

Senator LODGE. Then we make no better pens in this country than this inferior pen you speak of?

Mr. T. E. SMITH. It is not an inferior pen; it is a good quality of pen. But the Spencerian pen is a superior pen.

Senator CLARK. I was not talking about Spencerian, but what I am trying to get at is this: The American manufacturers to-day make a pen that is no better than the poorest of the English manufacture?

Mr. T. E. SMITH. I would not say the poorest.

Senator LODGE. The poorest you import?

Mr. T. E. SMITH. The poorest we import; yes. The cheap pens have been referred to as being bought at a price of 2 or 3 pence. I never heard of such a price at all. The lowest price I ever heard of for an imported pen was 4 pence a gross. I have been in the business for all these years, and I never heard anything about that. I know that as far as the labor is concerned—at least I was told when I was in England—on the fine grades of goods the workmen make from \$7 to \$9 a week, on fine goods.

Senator CLARK. Is that on the grade of goods you import, aside from your Spencerian pen?

Mr. T. E. SMITH. No, sir; that is on Spencerian pens.

Senator CLARK. Now, on the grade of goods that corresponds with the American manufacture, what is the difference between the wages?

Mr. T. E. SMITH. I could not tell you that, because I am not familiar with the manufacture, hardly. But I doubt it is very small.

Senator CLARK. Then could you dispute, from your knowledge or from what you have heard, the statements made here to-day by American manufacturers?

Mr. T. E. SMITH. I could not do that, because I am not a manufacturer.

Senator SMOOT. You know nothing about what the different classes of employees are paid in the pen manufactories in Birmingham?

Mr. T. E. SMITH. No, sir; I am not familiar with that. The principal manufacturers of the world are in England, and when we commenced business——

Senator SIMMONS. But you did undertake to give the difference in the labor cost in the manufacture of Spencerian goods.

Senator WILLIAMS. He says he heard it.

Mr. T. E. SMITH. When we commenced business, in 1860, there was not a pen maker in this country. Mr. Estabrook, who, I think, had had some experience abroad, was about starting business; and a few years later there were two others who started up, and now I think there are six.

STATEMENT OF MR. W. W. CHASE, OF CLEVELAND, OHIO, REPRESENTING THE WHITE SEWING MACHINE CO. AND OTHERS.

The CHAIRMAN. Mr. Chase, of Cleveland, will appear in reference to paragraph 73 of the bill. Whom do you represent, Mr. Chase?

Mr. CHASE. I represent the seven independent sewing machine companies of the United States.

The CHAIRMAN. Will you name them?

Mr. CHASE. The New Home Sewing Machine Co., of Orange, Mass., with an authorized capital of \$3,000,000; the National Sewing Machine Co., of Belvidere, Ill., with \$1,050,000; the Free Sewing Machine Co., of Chicago, Ill., with \$100,000; the Foley & Williams Co., of Chicago, Ill., with \$250,000; the Davis Sewing Machine Co., of Dayton, Ohio, with \$1,200,000; the Standard Sewing Machine Co., of Cleveland, Ohio, with \$1,400,000; the White Sewing Machine Co., of Cleveland, Ohio, with \$1,235,000.

Senator HEYBURN. What do those figures represent?

Mr. CHASE. The authorized capital stock of these companies.

Senator SIMMONS. You describe those as the independent manufacturers?

Mr. CHASE. Yes, sir. I will explain what I mean by this statement.

Senator HEYBURN. Give the total of those figures there you have just read.

Mr. CHASE. I have not them totaled; but it is about \$8,000,000.

Senator SIMMONS. Those are the only independents? I want to know about the others that are not independent.

Mr. CHASE. If I might progress with this statement, this briefly unfolds that relation. We mean by using the term "independent" that the seven companies are not connected, directly or indirectly, with the Singer Manufacturing Co., a \$60,000,000 corporation, with a reported surplus of \$40,000,000, which company is generally regarded as controlling at least 60 per cent of the American sewing-machine trade and a much larger percentage of the trade in all foreign countries. These seven companies that I represent are all of the sewing-machine companies aside from the Singer Manufacturing Co.

The Singer Co. operates several plants in America, to wit: St. Johns, Quebec; Elizabethport, N. J.; Bridgeport, Conn.; South Bend, Ind. It has also several factories abroad, to wit: Glasgow, Scotland; Berlin, Germany; and one plant, possibly two, in Russia.

For this reason we ask that you consider our protest with distinct regard to the fact that we have no foreign manufacturing branches and no trade relations, agreements, or understandings with the Singer Manufacturing Co., or between ourselves.

The sewing-machine trade in the United States is of some magnitude. Granting that the population of this country is 90,000,000, representing 18,000,000 families, we estimate there are from 1,200,000 to 1,250,000 machines sold annually, or approximately one machine per year to each 18 families.

The seven companies opposed to this tariff measure sell about 40 per cent of these machines and the Singer Co., we estimate, about 60 per cent. In foreign countries the Singer business is proportionately very much larger by reason of its located factories and its policy of selling direct to the consumer. There are, we believe, fewer competing companies abroad. The Singer Co. there, as well as here, has its own retail branch office system, while the opposition companies depend chiefly upon their dealer or jobbing trade. Therefore, it should be distinctly understood that the Singer Manufacturing Co. can not be regarded as an exclusively American concern or as an American enterprise. The independent companies have no foreign trade worthy of comment. Some of them have no foreign representation whatever and make no effort to sell their machines abroad. Others have a few foreign dealers, and we state with all candor that the combined European shipments of American-made sewing machines will not exceed 2 per cent of the product of the factories of the independent companies. The principal reason for this condition is the competition abroad which confronts the independent companies. The cost to the Singer Manufacturing Co. to produce its machines abroad as represented to us by those who claim to speak with full knowledge is very much less than its cost in America, and this can be clearly understood from the simple fact that labor apprehends so important a factor in the manufacture of a sewing machine.

We grant that raw material is no cheaper abroad than here, but when you consider that the labor element represents about 78 per cent of the manufacturing cost of a machine and that the wages of the German sewing machine factory employee is only about 35 per cent of the wages paid in the United States, you will at once observe the reason why the sewing machine can be manufactured there at a less cost than in our own country.

The next statement I wish to make is from hearsay. I have never been abroad, but from good authority, from the authority of men who have been there, and from the American representatives in that place, I make this statement, which is, I believe, commonly misunderstood. We challenge the statement that any American-made sewing machine can be purchased at less cost in Europe than in this country. I understand, from Senator Burton of Ohio, that that sentiment has prevailed.

Senator CLARK. Very largely?

Mr. CHASE. Yes, sir. We challenge that, and believe it to be absolutely untrue. While the ordinary family sewing machines vary in price and value at retail from \$10 to \$80, in this country as well as abroad, the prices made by the American manufacturer to European dealers and jobbers are the same. The quantity purchased by a dealer in this country, as well as abroad, will, to some extent at least, determine the price. There is no distinction made between the American purchaser and the foreign purchaser in the matter of price, and while the foreign dealer, by reason of the low-priced competition and the exceedingly keen competition with German-

made machines, may be satisfied with a less profit upon his investment than the American dealer, this, as we view it, should not govern the case, nor affect the underlying principle involved in the consideration of a tariff issue.

Some of our independent companies have attempted in the past to secure European trade, but in almost all if not in every instance, the result has been failure, and it is not within the province of reason to think that any of us can secure a volume of trade in Europe, under present conditions, to justify the attempt. Our only chance is to have our own manufacturing plant located there. The Singer Co.'s competition alone is a sufficient barrier, but when this is augmented by the competition of the smaller German sewing-machine manufacturers, our trade is prohibited. What we desire is a market for our own goods in our own country; the maintenance of a factory wage scale, at least adequate for the needs of our employees and a fair return upon the capital we have invested in these industries. We do not advocate a 30 per cent import duty, nor any other specific per cent, but we do insist that we are entitled to a duty upon foreign-made sewing machines sufficient to justify the maintenance of our present wages, and trust this consideration will be given us.

Senator CLARK. I understood you to make a statement, and make it absolutely and unqualifiedly, that the factory price to the foreign purchaser for the same machine is no less than the price to the American purchaser?

Mr. CHASE. Yes, sir.

Senator HEYBURN. Does that apply to the Singer Co. as well as your own company?

Mr. CHASE. I would have to reply to your question by hearsay only. They do not send any of their machines from the factories here abroad.

Senator STONE. To no country?

Mr. CHASE. I think possibly they do; but I do not know which one. They may to Australia, but not to Europe or to South America, where, I understand, they have a very gratifying trade.

Senator STONE. Do they send them to Canada?

Mr. CHASE. They are made in Canada; they have a plant there.

Senator STONE. Do they send them to Mexico?

Mr. CHASE. I presume from their Elizabethport factory they send to Mexico, but I am not sure.

Senator WILLIAMS. Do you mean to make this statement, that no sewing machines are exported from the United States to Europe?

Mr. CHASE. Oh, no; there may be some. We export some, but a very small percentage of the total product.

Senator CLARK. He means when they do export, they pay the American price.

Senator STONE. This is one industry, then, in the United States where they do not sell a surplus abroad cheaper than they do at home in order to keep the factory running.

Mr. CHASE. That is our experience.

Senator SIMMONS. You can not give the committee the number of machines exported from this country?

Mr. CHASE. No, sir; I can not.

Senator SIMMONS. Your exports are negligible?

Mr. CHASE. Yes, sir; about 2 per cent to Europe. We have some South American trade. I suppose we sell four or five thousand machines a year in South America; but a very small percentage.

Senator SIMMONS. If the German can make them at about one-third of the labor cost, how do you manage to compete with him in South America?

Mr. CHASE. This fact should be noted; generally a sewing-machine dealer is an exclusive dealer in sewing machines. One agent may have an agency for the Singer product or a German product, and no other dealer can get that product. There is room for two. Another agency is formed, and he takes the New Home machine, or another the White, or the Standard, or some other make. They all have exclusive representation in these foreign districts.

Senator STONE. Are any foreign machines imported into this country?

Mr. CHASE. I think none, or comparatively few.

Senator STONE. What is the position of the Singer Sewing Machine Co. with reference to this bill?

Mr. CHASE. I could guess they are favorable to the removal of the tariff.

Senator STONE. To the removal of the tariff?

Mr. CHASE. Yes, sir; I do not know, but I guess that.

Senator STONE. If there are no machines coming from abroad, from Europe, into the United States, the Singer has possession, you say, largely of the European markets, or a good many of them, because of their factories there; and yet they have large shipments in this country, the greatest concern of its kind in the world, as well as in this country. If there is no danger to them from foreign competition in our markets, why should there be any to you?

Mr. CHASE. Only in this. If this tariff were removed, the seven independent companies, we figure, would be in a disastrous condition, and the Singer Co. alone would have the markets of this country, with the German competition which might come in.

Senator STONE. How would the independent companies, so called, be in a disastrous condition?

Mr. CHASE. Because with the removal of the duty—I am not saying that the duty should be maintained at 30 per cent; I maintain that the duty should be the equivalent between the difference in the cost of labor; and that, we figure, is about \$4.45 a sewing machine, the difference in the cost of the labor in a sewing machine.

Senator STONE. Do you think the Singer people would make machines in Russia or other countries over there with cheaper labor and import them to the United States and sell in competition with the machines they are making here?

Mr. CHASE. I do not know whether they would or not; I think they could make them there just as cheaply as they could make them in their Elizabethport factory; and, with the American competition out of the way, it would perhaps be possible for them to reduce their manufacturing cost in this country, because the cost of selling a sewing machine is the all-important factor. The cost of manufacturing is the smaller factor of the two.

Senator WILLIAMS. You said a moment ago you exported about 2 per cent of your sewing machines to Europe; that, besides that, you exported some to South America. Can you give me about the

value of the sewing machines those independent companies export to Europe? You said it was 2 per cent. Can you give me in dollars and cents approximately the value?

Mr. CHASE. I suppose the minimum value would be about \$16 a sewing machine, \$16 or \$17, that including the hand machines and the stand machines; and I should say that perhaps 40,000 machines a year were exported from all of these companies.

Senator WILLIAMS. Sixteen times \$40,000?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. Some six hundred and odd thousand dollars?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. To what countries in Europe are they exported?

Mr. CHASE. Our only dealer in Europe is at Paris, and a small dealer in Switzerland, and one in London. The principal machines, understand me, that we send over, are simply the heads. They get their stands there now, to a very large extent.

Senator WILLIAMS. So these exports are to Switzerland, England, and France; that is, from your own company?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. And you have shipped some to South America?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. Have you shipped any to South Africa?

Mr. CHASE. No, sir.

Senator WILLIAMS. Do you know whether any sewing machines have been shipped from America to South Africa?

Mr. CHASE. I do not.

Senator WILLIAMS. Any to Australia?

Mr. CHASE. Yes, sir; we ship them there.

Senator WILLIAMS. So that in the neutral markets of the world, and even in the European market, the American machines are going and being sold, and I understood you to say a moment ago that, so far as you knew, no foreign-made machines are coming into the United States.

Mr. CHASE. Yes, sir.

Senator SMOOT. The foreign machine is not as good a machine, is it, as the American-made machine?

Mr. CHASE. Gentlemen, I am sorry to say I think it is fully equal to the American-made machine. There is one thing that is omitted, and that is that in foreign countries they do not use the line of sewing-machine attachments that we include with our sewing machines. But for plain sewing, appearance, and durability I believe their machines are equal to ours.

Senator SIMMONS. You said you sold in the foreign markets at the same price you sell in the American market?

Mr. CHASE. Yes, sir.

Senator SIMMONS. And you say that the machine can be made in foreign countries so much less than it can in this country?

Mr. CHASE. Yes, sir.

Senator SIMMONS. How is it you can send 40,000 abroad and sell them at the same price you do here, when the foreign-made machine is so much cheaper?

Mr. CHASE. I tried to explain that by saying that these sewing-machine representatives are usually exclusively in the sewing-machine business.

Senator SIMMONS. Is not that so with the agents of the foreign sewing machines as well as with the agents of your machines?

Mr. CHASE. Yes, sir; that applies there the same as here, and if you give him the agency of your machine he will not take up the agency of any other machine. You give him that exclusive agency. The New Home man or the Standard sewing-machine man will have no other agency there, no other representation.

Senator WILLIAMS. Will not the German sewing-machine man, the English sewing-machine man, and the French sewing-machine man have a man there trying to sell with us?

Mr. CHASE. Yes.

Senator STONE. And just as good a machine?

Mr. CHASE. Yes, sir.

Senator STONE. And still you send yours across the sea, put them down in adjoining stores, and sell them at the same price?

Mr. CHASE. Yes, sir.

Senator LODGE. Do not your patents help you?

Mr. CHASE. The patents do not help us. There are no basic patents now that are of any great value in the sewing-machine business. There may be some part or attachment that will help to sell; it is a talking point. But really it is not of great value to any company. There is another reason for that there. The foreign dealer in sewing machines is, I am sure, satisfied with less profit, and the cost of selling there is greatly less than here. The average cost in our business—the White Sewing Machine Co.'s business—to sell a sewing machine at retail is upward of \$20, the actual selling expense. The manufacturing expense is probably almost 100 per cent less than that.

Senator CLARK. In your selling expense you figure what?

Mr. CHASE. I should qualify my statement by saying that I referred to retail sales that our organizations make, where the retail price is from \$45 to \$75. At wholesale the prices vary from \$16 to \$20 for the average family sewing machine. The heads may be all alike, the stands alike, the differences occurring in the woodwork.

Senator SIMMONS. If you are correct in saying that the foreign producer is satisfied with less profit, and that the cost of selling is less to him than to you, then it would seem to me that that would make more difficult competition in the foreign markets on the basis of the American price.

Mr. CHASE. I do not know how that works out, gentlemen; I have never been there. We have not any deals there that are really worthy of mention. I do not know how they do it, except what they tell us in letters.

Senator SMOOT. The machines that are retailing now to the consumer in this country, made in this country, say a drop-head machine, at \$70—what does it cost to manufacture?

Mr. CHASE. From \$12 to \$14.

Senator SMOOT. At what does the manufacturer sell it in carload quantities?

Mr. CHASE. To dealers?

Senator SMOOT. To dealers.

Mr. CHASE. About \$20.

Senator SMOOT. So the system that they have of distributing the sewing machines here is what costs the consumer more than anything else?

Mr. CHASE. That is just the point.

Senator SMOOT. This system of taking a wagon and calling around at a house and leaving it there, and calling again and taking an old machine in part payment for it, and the man who pays the cash has to pay for it. No other country on earth has that system of distribution, has it?

Mr. CHASE. I have never heard of it.

Senator STONE. That is a bad system of distribution, is it not?

Mr. CHASE. It is a system that was established years ago by the Singer Sewing Machine Co.

Senator STONE. The Singer Sewing Machine Co. was distributing directly from their store?

Mr. CHASE. Yes, sir; that is just their method.

Senator STONE. Why do you adopt that system? Why do you not adopt the better system that you say is in vogue in other countries, so as to get your machines at the best price to the consumer?

Mr. CHASE. Gentlemen, all the companies that I represent here, except my own, have followed that plan; but we have a branch-office system in the larger cities. We inaugurated that policy some years ago. We find that there is a very good place to dispose of your surplus stock, rather than abroad. That forms a very important factor in our business. But the other companies, aside from the Singer Co., are not competing with us in that respect in the large city trade, in cities like Chicago, or Brooklyn, or Boston. The only competition, real competition, my particular company has is the Singer Sewing Machine Co. The other companies sell their goods there, but sell them through dealers, and, of course, the volume is much less.

Senator LODGE. If you took the duty off entirely, and put them on the free list, as proposed in this bill, what is to prevent the Singer Sewing Machine Co., with its great establishments in Europe, from making the parts over there, if not the whole machines, and sending them from there here?

Mr. CHASE. Nothing.

Senator LODGE. They are the most powerful sewing machine company in the world, are they not?

Mr. CHASE. Yes, sir.

Senator LODGE. It would give them this market exclusively, would it not?

Mr. CHASE. Yes, sir.

Senator SIMMONS. In your domestic prices do you follow the prices fixed by the Singer Co.?

Mr. CHASE. The Singer Co. fixes no domestic prices; they have no domestic prices to the dealer. They sell direct to the retailer, to the consumer.

Senator SIMMONS. You sell no machines in this country for less than the Singer Co. sells theirs?

Mr. CHASE. No, sir; not as a rule.

Senator SIMMONS. You maintain the price?

Mr. CHASE. We maintain the price; yes.

Senator SIMMONS. And you and the Singer people sell for about the same price in this country?

Mr. CHASE. Yes, sir.

Before making your decision we ask that you inquire closely with reference to the organization and methods of the Singer Manufacturing Co., and also that you have complete data with reference to the labor expense involved in the manufacturing of sewing machines here and abroad. We assert that this information will convince you that the labor alone represents approximately 78 per cent of the cost of the machine, and that our employees are paid approximately 65 per cent more for the same results than is paid by European companies. The class of machinery used abroad in the manufacturing of sewing machines is practically the same as used in this country. So far as we are able to learn, the processes of manufacturing are the same in both countries. Germany, France, Italy, Spain, and Austria have given their sewing-machine manufactories protection by a tariff against our American-made goods. Why should we open our markets and under such unfavorable conditions for their product?

Senator WILLIAMS. Did you mention France as one of the countries that had given their sewing machines protection?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. Did you mention Switzerland?

Mr. CHASE. No. France, Italy, Spain, and Austria.

Senator WILLIAMS. France is one of the countries to which you have sold sewing machines?

Mr. CHASE. Yes; we have sold a few. I imagine our average sales of the heads alone, which we call sewing machines, run from 800 to 1,000 a year.

Senator WILLIAMS. That is notwithstanding the French duty?

Mr. CHASE. Yes, sir.

Senator STONE. What is the name of your company?

Mr. CHASE. The White Sewing Machine Co.

Senator STONE. Where is the factory?

Mr. CHASE. Cleveland, Ohio.

Senator STONE. What is its capital stock?

Mr. CHASE. \$1,235,000 authorized stock.

Senator STONE. Authorized?

Mr. CHASE. Yes, sir; not all of it has been issued; \$1,098,500 has been issued.

Senator STONE. How many people do you employ?

Mr. CHASE. We have in the factory about 1,100, in Cleveland. The retail organization plan comprehends a very much larger number who are directly employed by us in the different cities as a selling organization.

Senator STONE. I am speaking of your plant employees.

Mr. CHASE. About 1,100.

Senator STONE. Men or women?

Mr. CHASE. All men; no women at all.

Senator STONE. Are they all experts, or what part of them would be classed as expert laborers and what part common laborers?

Mr. CHASE. I should say about 80 per cent or 85 per cent are common laborers and about 15 per cent what might be called a higher grade, like tool makers and special men, who draw better compensation.

Senator CLARK. When you speak of common labor, does that include mechanics?

Mr. CHASE. Yes, sir; that includes the \$2 a day mechanics.

Senator LODGE. That is skilled labor.

Senator STONE. What proportion is unskilled labor?

Mr. CHASE. I would think, if you call that \$2 a day man working in the factory, a man who may never have seen a machine, or any piece of machinery, a skilled laborer, we use that kind of labor to the extent of probably 80 per cent of our total factory employees; a man who has never seen a machine can come in and operate one in three hours. If that is skilled labor, I presume we employ 80 per cent.

Senator STONE. A man who could come in and in three hours operate a machine certainly does not require any great deal of education or practice to become a skilled laborer.

Senator LODGE. No; that is not skilled labor. I thought it was a different class.

Senator STONE. Eighty per cent, then, would be really called unskilled labor. Where do those people come from; what general nationality are they?

Mr. CHASE. Polish, Hungarian, some Americans; but the most of them are either Polish, Bohemian, or Hungarian.

Senator STONE. Foreign labor?

Mr. CHASE. Yes, sir.

Senator STONE. Are they citizens of the United States, as a rule?

Mr. CHASE. I think they are. I think they soon become citizens.

Senator STONE. Do you know whether these are naturalized citizens?

Mr. CHASE. No, sir; I do not know what proportion of them in our own plant are naturalized.

Senator STONE. They are people who come from Europe to your factory?

Mr. CHASE. Yes, sir.

Senator SIMMONS. How many machines did you say you sold in France?

Mr. CHASE. I think we sold in 1911 between 800 and 1,200 heads.

Senator SIMMONS. What is the French duty?

Mr. CHASE. It is 50 francs for 100 kilograms; that is 225 pounds of sewing machines, or pretty nearly two machines.

Senator SIMMONS. You sold those at the same price you sell machines in America?

Mr. CHASE. Practically the same prices; yes, sir.

Senator SIMMONS. Did you make a profit?

Mr. CHASE. Yes, sir; we do not sell any goods unless there is something in it.

Senator SIMMONS. Then you could have sold those goods in this country, less the duty you paid in France, and still have made a profit?

Mr. CHASE. I presume we could.

Senator SIMMONS. With the transportation also deducted?

Mr. CHASE. We pay the transportation only to New York, and the foreign buyer pays from New York.

Senator SIMMONS. I do not understand the French duty in the terms you designate it. About how does that compare with our duty—ad valorem, we will say?

Mr. CHASE. It is \$9.65, approximately, for two sewing machines.

Senator SIMMONS. That is about \$4.80 apiece?

Mr. CHASE. Yes, sir.

Senator SIMMONS. You paid the freight; you sold them at the same price you sell here, and you paid the freight and the tariff, and made a profit. Now, why could you not sell those goods in this country \$4 a machine less and still make a profit?

Mr. CHASE. The Frenchman pays the tariff; we do not pay that tariff. We pay the freight to New York only.

Senator SIMMONS. When you said you sold at the same price there as you did here, did you mean you sold there the same as here, less—

Senator CLARK. In New York?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. In other words, you sell it to the Frenchman in New York?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. Then he pays the ocean transportation rate, and he pays the duty?

Mr. CHASE. Yes, sir.

Senator WILLIAMS. And, notwithstanding those two additions to the American price, you sell him there in competition with the French sewing-machine manufacturer?

Mr. CHASE. If there are any in France; I think there are none in France. I think there are in Germany and Switzerland.

Senator WILLIAMS. There are some in France. The French Government has a protective duty to protect them.

STATEMENT OF MR. W. A. CURTIS, OF MERIDEN, CONN., REPRESENTING THE MANUFACTURERS OF TABLE CUTLERY.

Mr. CURTIS. I represent the following manufacturers of table cutlery: Landers, Franz & Clark; John Russell Cutlery Co., of Russell Falls, Mass.; Lamson & Goodnow, of Shelburn Falls, Mass.; Northampton Cutlery Co., of Northampton, Mass.; the American Cutlery Co., of Chicago, Ill.; the Goodell Co., of New Hampshire; and the Clement Manufacturing Co., of Northampton, Mass.

The CHAIRMAN. You are referring to paragraph 28?

Mr. CURTIS. Yes, paragraph 28. The ideal tariff was the Dingley bill, which gave a specific duty on certain lines of table cutlery, upon the knives and forks, with a minimum duty of 45 per cent. When the Payne bill was before the House the table cutlery manufacturers, feeling that there was a desire for a reduced duty, voluntarily surrendered, or made a proposition to the Ways and Means Committee, reducing the specific duty on these different lines, and also making a minimum duty of 40 per cent instead of 45. But in addition to that they had included in this tariff a duty on what we call unfinished knives, which come in without handles, and which are largely used by silversmiths, who put on silver handles, and they become their property, and are what are known as silver-handled knives, which you have seen matching the forks and spoons on the table. They had become an important factor between the Dingley bill and the Payne bill, and with that protection we were enabled to maintain our manufacture of these goods as against the Germans, who are largely responsible for the importation of these goods. The present duty changes this from 40 per cent to 25 per cent.

Senator CLARK. That is, the proposed duty, you mean?

Mr. CURTIS. The proposed duty is 25 instead of 40, abolishing all specific duty, and making an ad valorem duty of 25, which, of course, allows the chance for undervaluation. We also have a clause which provides for the marking of this blade as to the country from which it comes, which is an additional protection. They have tried to evade the duty by putting on the letters so finely that you can not see them. But we felt that the 40 per cent was a fair proposition, which we made voluntarily, and which is only a sufficient protection against a foreign manufacturer, and with the lower duty of 25 per cent, as against 40, a great many foreign goods can come in, displacing just so much American labor.

Senator SMOOT. The Wilson bill carries 35 and 40 per cent, according to value?

Mr. CURTIS. Yes, sir.

Senator SMOOT. With an equivalent ad valorem of 37.23 per cent, and this proposes a reduction to 25 per cent.

Mr. CURTIS. We can see no reason why this was changed from 40 to 25. These seven manufacturers of table cutlery are all there are in this country. Their total product is probably not over \$5,000,000; it is a small business. You can not push table cutlery as you would cloth, or anything of that kind, where you can force a sale. If a person has a set of knives on his table, he does not buy another set because they are 5 or 10 cents cheaper a set. It is only so much business, and can not be increased very largely. So that all the goods that are imported will simply displace American-made goods, and we feel this minimum of 40 per cent is as low as table cutlery should be. It is a small business, anyway. None of the manufacturers are making the profit which should be made on the amount of capital invested. I know of one concern that made about \$500,000 worth of goods last year, and did not show over 3 per cent on account of the competition among American manufacturers. There is no arrangement between them as to prices.

Senator SMOOT. Do you know anything about the difference between the wage paid in this country for making that class of goods and that paid in Germany?

Mr. CURTIS. The average wage paid in this country is from \$18 to \$24 a week for what we call cutlers, men who understand the business, intelligent men; and in Germany, as near as I can learn, it is from \$9 to \$12, not over \$12.

Senator SMOOT. And what percentage of the cost of production is labor?

Mr. CURTIS. Nearly 80 per cent, especially in this line [indicating]; just about 80 per cent.

Senator STONE. Where do you get your information as to the labor wage paid in Germany?

Mr. CURTIS. We get our information from men who come here, and who tell us what they earned in the other country. Though I will say that what we call cutlers are largely from England. Sheffield teaches men who are called cutlers, who understand the whole business, and men who come to our factory come largely from there, though we have some German help. Most of our help is skilled labor, and 98 per cent of them are American citizens.

Senator CLARK. What is the difference between the wages paid in England and those paid in Germany?

Mr. CURTIS. The English get a little more than the Germans. I think the English earn from \$12 to \$15 a week.

Senator CLARK. As against \$18 to \$24 in America?

Mr. CURTIS. Yes, sir.

Senator STONE. What is a cutler; what does he do?

Mr. CURTIS. In the first place the skilled labor is in grinding. That has to be taught; it is a trade that is learned, and it requires skill and talent, and quite a long education. And then there are cutlers who can finish the bolster. There are men who can match the stag handles or the pearl handles, or who can do any of that part of the technical work that requires skill and education.

Senator HEYBURN. Are they tempered by men especially trained?

Mr. CURTIS. Yes, sir; tempering is another process that requires great skill.

Senator STONE. How many such men have you in your factory?

Mr. CURTIS. I should say we had 50 men out of a total of 220 employees; there are probably 40 or 50 who are what we call skilled men; that is, skilled in that particular line of business.

Senator STONE. How many of these men are imported from abroad?

Mr. CURTIS. Most all of them have come over to this country themselves or were children brought up here, their fathers teaching them the same business. They come into the factory when they are 14 or 15 years old, and their fathers teach them the business.

Senator STONE. They are practically all foreign born?

Mr. CURTIS. Yes, the cutlers, what we know as men who have learned the business.

Senator LODGE. Are they generally naturalized?

Mr. CURTIS. Oh, yes; I do not believe there are half a dozen men in our factory, or in any of the factories in the East, who are not American citizens. I do not know so much about the Chicago concern; but all those in New England are men who are American citizens.

Senator STONE. They are mostly of English and German birth?

Mr. CURTIS. Largely. We have some Polish laborers now. But they are a better class of citizens. The business does not admit of the common labor such as you find in woolen mills, or mills of that kind, where men can step right in and go to work and do the work.

Senator STONE. It seems to me as if our American manufacturers, judging by what we have been hearing here, have great difficulty in finding American-born people to work in their factories. It is mostly foreigners who are brought in here. Why is that?

Mr. CURTIS. Because the Americans go into the offices, go to college and learn a profession. There is another line of distinction, and that is, what is an American? We have in our factory, and all these concerns have in their factories, the third, fourth, and fifth generation of those who came here originally. The concern I represent has been in this one plant since 1845.

Senator CLARK. You speak of the foreign citizens. How many of your employees were born abroad?

Mr. CURTIS. I do not imagine that 25 per cent were really born abroad; but they are descendants. We call them English as long as they have that distinctive feature.

Senator LODGE. Of foreign-born parentage?

Mr. CURTIS. Yes.

Senator STONE. That is a different proposition. I understood you to say that these cutlers you spoke of were English or German, mostly English, educated in business there and who have come over here and gone into your employment.

Mr. CURTIS. Originally; but very largely now they are the children of those who were educated in Sheffield and came here, and their children have come right along, and we call them English; but I presume they are American citizens.

Senator SMOOT. They vote here?

Mr. CURTIS. They vote here.

Senator STONE. Vote here and were born here?

Mr. CURTIS. Very largely were born here. There is just one other point, gentlemen, if you will allow me just one moment longer—this feature of stamping the name of the company. You will notice the exact wording is:

That all the articles specified in this paragraph, when imported, shall have the name of the maker or purchaser, and beneath the same the name of the country of origin indelibly stamped or branded thereon in a place that shall not be covered thereafter.

Senator SMOOT. Those are the words you suggested, I suppose, and we put them in the bill.

Mr. CURTIS. We thought they covered it, but they did not, because they put the letters in here [indicating on knife]. Although I will say that the commissioner has ruled that that does not comply with the law.

Senator SMOOT. That is not on the blade.

Mr. CURTIS. No, that is not on the blade. We will offer this as an amendment, which I will leave for the record. It reads:

That all articles specified in this paragraph, when imported, shall have the name of the maker or purchaser and beneath the same the name of the country of origin, die sunk, conspicuously and indelibly on the blade at least one-quarter inch from the bolster in a place that shall not be covered thereafter.

We propose that so there will be no doubt. The appraiser has been in doubt as to what to let in.

We simply ask that the duty shall be retained as before.

Thereupon, at 1.35 o'clock p. m., the committee adjourned until Tuesday, February 13, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 4

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

TUESDAY, FEBRUARY 13, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

Mr. RAMSEY. Two per cent of the 100 per cent is what I say.

Senator CLARK. I understood you to say that that 2 per cent represented the various alloys and things of that sort?

Mr. RAMSEY. Yes.

Senator CLARK. But that was a little bit indefinite, in response to a question as to whether you could not procure all of the raw material necessary in this country. I understood from what you said that you could, and that you only bought abroad as a matter of preference, in connection with certain alloys and things of that kind. Is that true?

Mr. RAMSEY. No.

Senator CLARK. Let us get this right, now. Could you get all this raw material in this country if you chose to do so?

Mr. RAMSEY. I am not altogether certain of that. We have about, practically, all of the alloys here, but at times we can not get them at all; that is, certain alloys. Then we have to go abroad for them.

Senator CLARK. Why can you not get them here? Are they not produced, or is it on account of the price?

Mr. RAMSEY. It is on account of the scarcity of them as much as anything else. The price does not enter into it as a rule.

Senator CLARK. What are those alloys?

Mr. RAMSEY. Well, perhaps I am wrong in saying "alloys." One of the main things that comes into our product is clay for the manufacture of crucibles.

Senator CLARK. I thought you were speaking of steel. You were being inquired of in regard to the steel that entered into your cutlery. If you did switch to the question of clays, I lost it. You were being inquired of in regard to steel. Will you not stick to the steel question until you have finished that, and then we will not confuse those things?

Mr. RAMSEY. Yes.

Senator CLARK. Could you get all the raw material for your cutlery manufacture in this country, so far as the steel is concerned?

Mr. RAMSEY. Yes; oh, yes.

Senator CLARK. Do you?

Mr. RAMSEY. Yes; we do.

Senator CLARK. You do?

Mr. RAMSEY. Yes; we do.

Senator CLARK. You left a wrong impression. You left the impression that you bought 2 per cent, or thereabouts, abroad, without defining the particular commodity that you bought abroad.

Mr. RAMSEY. Yes.

Senator CLARK. Then it is the crucibles, perhaps, in which you manufacture the steel or transform it?

Mr. RAMSEY. Yes.

Senator CLARK. They are not a by-product, but you might call them an accessory to your steel manufacture?

Mr. RAMSEY. Yes.

Senator CLARK. And they do not enter into the manufacture of the cutlery any more than coal does?

Mr. RAMSEY. Well, put it the same way; yes.

Senator CLARK. And it is that that you buy abroad?

Mr. RAMSEY. Yes.

Senator CLARK. And not the steel?

Mr. RAMSEY. No; that and the other part that goes to make up the crucible, which is plumbago——

Senator CLARK. The process of manufacture?

Mr. RAMSEY. Yes.

Senator CLARK. But not a part of the article itself, the steel product in the process?

Mr. RAMSEY. No.

Senator SIMMONS. Then I understand you now to say that you buy no part of your raw material, which is iron or steel, abroad?

Mr. RAMSEY. We buy no part of the iron or steel abroad; no.

Senator SIMMONS. None at all?

Mr. RAMSEY. No.

Senator SIMMONS. You buy it over here?

Mr. RAMSEY. We buy no part of the iron or steel abroad. We manufacture that ourselves.

Senator SIMMONS. That portion of your raw material which you buy abroad is neither iron nor steel?

The ACTING CHAIRMAN. What is it you do buy abroad?

Mr. RAMSEY. We buy tungsten abroad, which enters into high-speed steel.

Senator SIMMONS. Is that a metal?

Mr. RAMSEY. Yes. We buy it in a foreign country.

Senator SIMMONS. Is it made in this country or produced in this country?

Mr. RAMSEY. They are producing some of it in this country now.

Senator SMOOT. And we could produce more if the present tariff were to remain on it long enough. The House has again put it upon the free list in this bill.

Senator HEYBURN. The tungsten industry is in its infancy, and we are beginning to develop tungsten mines and ores in this country on a large scale, and will do it if we are freed from competition from abroad. I know about the tungsten product.

Senator SMOOT. Absolutely. That is just what I say.

The ACTING CHAIRMAN. Go on, Mr. Ramsey.

Mr. RAMSEY. High-speed steel, I would like to say, up to the last tariff act (that is, the one of 1907) had not been covered by the tariff at all. It was a new steel. It was a development in steel. It has grown very fast.

Senator SIMMONS. That is your product?

Mr. RAMSEY. Yes; high-speed steel. It is made by ourselves—speaking of the Crucible Steel Co. of America—and the other steel manufacturers as well. That is, the other crucible-steel manufacturers, the other manufacturers representing this seventy-five to one hundred thousand tons of the kind of steel we make. They also make high-speed steel.

Senator CLARK. What do you mean by "high-speed steel"?

Mr. RAMSEY. It is a steel that runs at a very high rate of speed, makes very deep, heavy cuts, and enables a machinist to turn out four or five times as much work with one tool as he did with the old carbon steels. Now, the cost of this steel, because of the large amount of tungsten that enters into it, is very high. It goes through a great many operations, every operation being one of labor all the way through. We take the steel at the beginning, the mixture of it. Outside of the tungsten it costs very little more than the ordinary steel. By the time we finish we have had labor on it to the extent of about, I should say, \$400 a ton. Now, that is a whole lot of money to put on a ton of steel.

Senator HEYBURN. What is the price of the tungsten? How much a pound, is it worth now?

Mr. RAMSEY. Well, about 75 cents a pound.

Senator HEYBURN. You mean the tungsten, as a metal?

Mr. RAMSEY. Yes; 75 cents a pound.

The steel manufacturers were anxious, when the last tariff was passed (the Payne bill) to have an adequate tariff put upon this commodity, upon this steel. It is very expensive to make, and it is very expensive to sell.

Senator HEYBURN. You mean the steel?

Mr. RAMSEY. Yes; the steel.

Senator SIMMONS. Up to that time, you say, there had been no tariff?

Mr. RAMSEY. There had been no tariff on it at all. It was a recent development in the steel manufacture.

Senator SIMMONS. How long had you been producing it in this country before the Payne-Aldrich bill?

Mr. RAMSEY. I should say about three years. The American manufacturer was trying to make some headway in the manufacture of a steel of this character, but he was unable to do so because there was no tariff on it, and the foreigner could undersell him and did undersell him. The foreigner undersold him right straight along. It was from that time that it began to get a foothold.

Senator SIMMONS. Was that because there was no tariff on it, or because you had not learned as well how to do the thing as the foreigner, who had been manufacturing it for a long time?

Mr. RAMSEY. I think at the very beginning the European got onto the development first, although the idea was an American idea—the idea of high-speed steel.

Senator GALLINGER. You had not learned how to compete successfully with the foreigner when you paid twice as much in wages as he did, had you? You had not learned that?

Mr. RAMSEY. Oh, probably that is a little beyond the point. We have to buy our labor in the best market we can buy it in. We have to get American labor.

Senator GALLINGER. I do not think you understood me. You pay much more for your labor than they do in the manufacture of this product abroad, do you not?

Mr. RAMSEY. High-speed steel?

Senator GALLINGER. High-speed steel.

Mr. RAMSEY. We are paying more for our skilled labor than they pay abroad. That is the point I make. Where we pay an American \$4 a day in the mill, the English or German manufacturer has the work done for \$1.75 a day.

Senator SIMMONS. Do you mean in the same mills?

Mr. RAMSEY. In the same character of mills; in the same character of work.

Senator SIMMONS. That applies to skilled labor. How about your unskilled labor?

Mr. RAMSEY. I think the same proportion applies to the unskilled labor.

Senator SIMMONS. Do you know what you are talking about, or do you just think it?

Mr. RAMSEY. I say, "I think," because I am not prepared to give you the figures to the penny.

Senator SIMMONS. When you state to the committee the difference in the cost of skilled and unskilled labor in England and in this country in this line of production, will you not tell us where you get that information from, so that we can see whether it is second hand or first hand, or how much weight it is entitled to by this committee?

Mr. RAMSEY. The information has come to me from one of our managers whom we had in England about six weeks ago looking into conditions of this kind. His statement to me was that that was just about the proportion; and when I say "I think," I confirm what I said a while ago. That is, I have not the exact figures to the penny with me.

Senator SIMMONS. Did you not send him there for the purpose of learning the difference so that you might present those facts to the committee here, on this hearing?

Mr. RAMSEY. No; it was just with the general idea of keeping ourselves posted on the steel situation, as applied to our business the world over.

Senator SIMMONS. Is that agent here?

Mr. RAMSEY. No; he is not here.

Senator SIMMONS. All you know is what he told you?

Mr. RAMSEY. All I know is what he told me; and I have every reason to believe that it is pretty accurate, because he has been over for us on matters of that kind before, and we have always found his figures to be exact.

Senator SIMMONS. When you spoke about the difference in the wage scale of the skilled labor you spoke in a positive way, but when you spoke about the difference in the wages of the unskilled labor you said "I think."

Mr. RAMSEY. Yes. Well, I have already explained why I said that in connection with the unskilled labor, because I could not tell you to a penny, although I have every reason to believe that the information given me is exact.

Senator CLARK. What proportion of your finished product—

Senator SIMMONS. Let me ask one question that I have in mind?

Senator CLARK. Yes.

Senator SIMMONS. Can you tell us when they began to manufacture in England this class of products that you produce?

Mr. RAMSEY. If you will make your question a little more clear, perhaps I can answer you. Do you mean high-speed steel?

Senator SIMMONS. You say you have been producing the product you manufacture in this country about three years?

Mr. RAMSEY. High-speed steel; yes, sir. Now, if you will ask the question with high-speed steel as the basis—

Senator SIMMONS. You say that you have been producing high-speed steel in this country for about three years. How long have they been producing this same article or class of material in England or in Europe?

Mr. RAMSEY. In Europe, put it. I think the introduction of high-speed steel dates from 1901—perhaps 1902—but about 1901 or 1902.

Senator SIMMONS. Now, Senator, I have finished.

Senator CLARK. I was going to ask you what percentage of the cost of your product is chargeable to labor?

that is finished it goes through a course of inspection. We lose a great deal of the finished bar in that inspection. Then if the bar is all right and satisfactory we label it up and either ship it out to the customer or put it in the racks, as the case may be.

Senator WILLIAMS. That is the process, roughly?

Mr. RAMSEY. Yes; roughly, that is it.

Senator WILLIAMS. Your unskilled labor is for the most part engaged in the carrying of the materials from one place to another?

Mr. RAMSEY. Yes.

Senator WILLIAMS. And the balance of your work is done by machinery, is it not?

Mr. RAMSEY. Yes; skilled labor in connection with the machinery.

Senator WILLIAMS. What degree of skill is required to handle one of these machines—say your hammer?

Mr. RAMSEY. A hammer man goes through a slow process of education. It is supposed to be a very difficult class of work. It is done by the eye altogether, and you can imagine the skill that is required when I tell you that one of these men will take a bar, say, 18 or 20 feet long, and hammer it into a seven-eighths-inch octagon. It is all done by the eye, all the way along, clear through. He turns it from one side to the other, and he has a helper standing there measuring it for him, but it is all done by his eye—the whole length of 18 feet; and I submit that that is some skillful.

Senator WILLIAMS. What degree of skill is required in managing one of the rolling machines?

Mr. RAMSEY. The same amount of skill is required, but not in the same way. A hammer man goes through a course of education. Perhaps it takes him three or four or five years, depending altogether upon his aptitude to develop into what we would call a first-class hammer man; that is, on these rather difficult shapes, octagons and hexagons, and things like that. A roller goes through perhaps as much experience. He starts away down the ladder and by one process or another becomes a heater, and finally an assistant roller, and then a roller.

Senator WILLIAMS. Yes. After you have this finished product, is it of any better quality than that which the foreigner makes?

Mr. RAMSEY. We think so.

Senator WILLIAMS. You think so?

Mr. RAMSEY. Yes.

Senator WILLIAMS. It ought, on its own merits, then, to sell for a higher price, ought it?

Mr. RAMSEY. Well, we rather hope so, all the time, but we are continuously disappointed.

Senator WILLIAMS. You have not thus far been able to sell it as cheaply as he does?

Mr. RAMSEY. No, sir.

Senator WILLIAMS. What is, about, the difference in the price at which you can sell it and at which he offers it on the market?

Mr. RAMSEY. That is a very hard question to answer, because the prices are not fixed. I do not know that I can answer that question intelligently to the committee. Some of their steels sell at very high prices and some at very low prices. You would have to have steel for steel and experience for experience in order to tell.

Senator WILLIAMS. You can not answer that question accurately?

Mr. RAMSEY. I can not answer that question accurately to the committee.

Senator WILLIAMS. Very well. I do not want to push you or to have you do any guessing.

Senator GALLINGER. Have you any means of ascertaining with any degree of definiteness what the labor cost is abroad and what it is here, to say nothing about the steel price?

Mr. RAMSEY. Yes.

Senator GALLINGER. State that to the committee.

Mr. RAMSEY. Their cost as compared to ours is about 60 to 66 per cent.

Senator WILLIAMS. You mean that the raw material in Germany or England is that much more than it is in America?

Mr. RAMSEY. The raw material? We were talking about the cost. The Senator asked me about the cost of manufacture.

Senator WILLIAMS. He asked you about the cost of the raw material.

Senator GALLINGER. No; I asked about the cost of manufacture.

Senator WILLIAMS. Oh, I beg your pardon.

Senator GALLINGER. So, if it costs 60 or 66 per cent abroad, as compared to 100 per cent here, you are in competition with that plus the duty, whatever it may be, on the foreign article?

Mr. RAMSEY. Yes; plus the duty on the foreign article.

Senator WILLIAMS. And plus the freight to get it here?

Mr. RAMSEY. Yes.

Senator GALLINGER. Yes; and the transportation as well.

Senator WILLIAMS. Where is your factory situated?

Mr. RAMSEY. At Pittsburgh, Syracuse, and Newark.

Senator WILLIAMS. Then, if these people want to sell anywhere back of the seacoast, of course they have to pay railway freight as well, do they not?

Mr. RAMSEY. Yes.

Senator SMOOT. If you sell at the seacoast you have to pay a great deal more railway freight than they pay in water rate from Germany?

Mr. RAMSEY. Certainly.

Senator WILLIAMS. That is the reason I asked the question, because I thought that afterwards the point about your paying railroad freight would be brought out.

Senator HEYBURN. Your mention of your factory at Newark was rather overlapped by a question. I should like to have it appear that they have one factory at Newark, N. J., which is practically on the seaboard.

Mr. RAMSEY. Yes.

Senator SIMMONS. Have you given yet the number of men you employ?

Mr. RAMSEY. I told you we employ between 8,000 and 12,000, dependent on the times. You are speaking of our individual concern?

Senator SIMMONS. Yes.

Mr. RAMSEY. Yes.

Senator SIMMONS. Have you given the number of skilled and unskilled workmen?

Mr. RAMSEY. I have not.

Senator SIMMONS. Can you do that?

The ACTING CHAIRMAN. Furnish the committee a list of the skilled laborers and also of those who are not skilled, in the separate classes.

Senator SIMMONS. If you have not got it now, you can give it hereafter.

Mr. RAMSEY. Skilled and unskilled?

The ACTING CHAIRMAN. Yes.

Senator SIMMONS. Yes. You said you made in all of your plants 75,000 tons, did you not, or about 75,000 tons?

Mr. RAMSEY. About 75,000 tons.

Senator SIMMONS. Does that mean your product? That means that the product you turn out amounts to about 75,000 tons?

Mr. RAMSEY. Of crucible steel; yes.

Senator SIMMONS. Yes.

Senator SMOOT. That is, turned out by all the firms making crucible steel.

Mr. RAMSEY. I would answer the question in this way: That the consumption of crucible steel in the United States of America to-day is about 75,000 tons a year; and, as I said awhile ago, you can draw the comparison.

Senator SIMMONS. What proportion of that do you make?

Mr. RAMSEY. I should say we make 60 per cent of it.

Senator SIMMONS. Sixty per cent of 75,000 tons?

Mr. RAMSEY. Yes; 60 per cent of 75,000 tons. I would like to draw to your attention again a remark I made at the beginning, that in order to show what this industry is and the great number of men they employ you only have to compare that tonnage, which seems almost infinitesimal in comparison, with the tonnage of the open hearth and Bessemer, which was last year 25,000,000 tons—75,000 to 100,000 tons as compared with 25,000,000 tons—and it is all made up of skilled labor. It is all made up of costs. We manufacture one particular steel that I have in mind now, and I will mention it, because it may appeal to all of you, and that is the steel for the blades of safety razors. Everybody has seen the safety razor. That steel goes through as many as 20 operations before it leaves our plant, every operation requiring a skilled laborer, a skilled man, a man who has spent years at his particular branch of the business, and as a consequence commands a pretty fair day's wage.

Senator SIMMONS. You can not measure the price of your product by the ton, can you?

Mr. RAMSEY. Oh, yes.

Senator SIMMONS. What do you get for it a ton?

Mr. RAMSEY. We get all the way from \$120 a ton to \$2,500 a ton.

The ACTING CHAIRMAN. Depending on what sort of tools you make?

Mr. RAMSEY. Depending altogether on the kind of steel we make.

Senator CLARK. You do not make tools at all, do you?

Mr. RAMSEY. We do not make tools at all.

Senator HEYBURN. You do not make blades?

Mr. RAMSEY. No.

Senator HEYBURN. Just the raw material?

Mr. RAMSEY. Just the raw material.

The ACTING CHAIRMAN. I did not understand you.

Mr. RAMSEY. Just the raw material.

Senator SIMMONS. How many tons do you make per man?

Mr. RAMSEY. I am afraid I would have to give you that in this list. I could not answer that.

Senator SIMMONS. Can you not figure that out for us and give it to the committee?

Mr. RAMSEY. Yes; I can work that out for you.

Senator SIMMONS. Not now, but work it out for the committee. I do not want to take your time now.

Mr. RAMSEY. I am merely making a memorandum of it.

Senator SIMMONS. What is your profit?

Mr. RAMSEY. Our profit?

Senator SIMMONS. Yes.

Mr. RAMSEY. Just how shall I answer that? Shall I tell you our annual profit, our annual turn over?

Senator SIMMONS. I am not talking about your dividends, because you might carry a surplus.

Mr. RAMSEY. I am not speaking of the dividends.

Senator SIMMONS. But I want you to tell me if your profits were divided, what would be your profit—

Senator CLARK. Percentage of profit.

Senator SIMMONS. Yes; what would be your percentage of profit upon your operation?

Senator SMOOT. Do you mean to have him, in that, allow for the depreciation of his plant?

Senator SIMMONS. He knows how to work it out, the way it is worked out by the mills.

Mr. RAMSEY. I have not any hesitancy whatever in telling the committee just exactly what they want to know, but the form in which that question is asked is so many-sided—

Senator SIMMONS. What profit are you making in your business? That is what I want to know.

Mr. RAMSEY. Our profit last—

Senator SIMMONS. I am not talking about what you pay the stockholders, but I am talking about what are the profits on your investment.

Mr. RAMSEY. I will answer the question by saying that our profit last year was \$2,500,000 on a preferred stock of \$25,000,000—

Senator SIMMONS. I am not talking about your preferred stock, but about the profits on your actual capital invested.

Mr. RAMSEY. About 5 per cent, or about 5½ per cent.

Senator WILLIAMS. \$2,500,000 profit on a \$25,000,000 capital?

Mr. RAMSEY. \$25,000,000 of preferred stock and \$25,000,000 of common stock.

Senator SIMMONS. What is your actual investment? How much money is actually invested in your business? I do not care anything about the preferred stock and the common stock. That does not indicate the actual investment always, although it may sometimes. What is the amount of capital actually invested in your business?

Mr. RAMSEY. \$50,000,000.

Senator SIMMONS. \$50,000,000?

Mr. RAMSEY. Yes.

Senator SIMMONS. And that money has actually been paid in?

Mr. RAMSEY. I can not answer that question.

Senator SIMMONS. In money or in property?

Mr. RAMSEY. Yes, in money or in property.

Senator SIMMONS. But there is actually invested in your business \$50,000,000?

Mr. RAMSEY. Yes.

Senator SIMMONS. And your profits were two and a half million dollars?

Mr. RAMSEY. The profits were two and a half million dollars. Out of that we paid our dividends.

Senator SIMMONS. After you paid your dividends?

Mr. RAMSEY. I say, out of that we paid our dividends.

Senator SIMMONS. You paid your dividends out of that.

Senator GALLINGER. And that was 5 per cent.

Senator SIMMONS. Did you carry any part of your profit to any other account except dividends?

Mr. RAMSEY. We carried some to profit and loss; yes. We only pay dividends on the preferred stock. We do not pay dividends on the common stock.

Senator SIMMONS. You carried some to profit and loss. What do you mean by that, now, when you say "profit and loss"?

Mr. RAMSEY. Well, say "surplus."

Senator SIMMONS. Surplus. How much money did you carry to surplus?

Mr. RAMSEY. I think about \$250,000. I am not quite sure. I could give the committee all that information later.

Senator SIMMONS. Did you carry any into any other account—

Mr. RAMSEY. No.

Senator SIMMONS. That would represent earnings?

Mr. RAMSEY. No.

The ACTING CHAIRMAN. Have you anything further to say? If not, we will excuse you.

Mr. RAMSEY. I have not anything further to say except that I do want to impress on the committee that we should have some protection on this business.

Senator WILLIAMS. Before you go to that I want to ask you a question, because it comes right in in connection with the other matter. I understand that the total amount you declared in dividends was two and a half million dollars. Is that right?

Mr. RAMSEY. No.

Senator WILLIAMS. Let us get that clear, then.

Mr. RAMSEY. The amount we declared in dividends was \$1,750,000.

Senator WILLIAMS. How much?

Mr. RAMSEY. \$1,750,000.

Senator WILLIAMS. That is what you declared in dividends?

Mr. RAMSEY. Yes.

Senator WILLIAMS. And the difference between that and two and a half millions went to what?

Mr. RAMSEY. To depreciation and surplus.

Senator WILLIAMS. Have you taken any of your profits and put them back into the business?

Mr. RAMSEY. No.

Senator WILLIAMS. Have you built up any surplus?

Mr. RAMSEY. We have a surplus. My recollection is that it is about two and a quarter millions.

Senator WILLIAMS. About how much?

Mr. RAMSEY. About two and a quarter millions.

Senator WILLIAMS. A surplus of two and a quarter millions?

Mr. RAMSEY. Yes.

Senator WILLIAMS. That has been gotten out of your profits, has it?

Mr. RAMSEY. Yes.

Senator WILLIAMS. So that you declared in round numbers one million and three quarters of dividends, charged off the difference between that and two and a half millions for depreciation, and you have added this two and a quarter millions in the way of surplus?

Mr. RAMSEY. Yes.

Senator WILLIAMS. How long have you been in the business?

Mr. RAMSEY. Eleven or twelve years. I might, perhaps, explain this to you. There was a time when we did not declare dividends, because we did not earn dividends.

Senator WILLIAMS. In giving that amount, two and a half millions of profit, that was for last year, was it?

Mr. RAMSEY. Yes.

Senator WILLIAMS. How does that compare with your profits per annum upon the average, during the entire period?

Mr. RAMSEY. That is higher than the average.

Senator WILLIAMS. Higher than the average?

Mr. RAMSEY. Yes.

Senator WILLIAMS. What years did it go higher than that, if you remember?

Mr. RAMSEY. The year before.

Senator WILLIAMS. 1910?

Mr. RAMSEY. Yes.

Senator WILLIAMS. Any other year?

Mr. RAMSEY. I think the second year we were in business. I am not sure about it.

Senator WILLIAMS. What was it in 1910? Do you remember?

Mr. RAMSEY. My recollection is that it was something over \$3,000,000.

Senator WILLIAMS. Something over \$3,000,000?

Mr. RAMSEY. Something over \$3,000,000; yes.

Senator WILLIAMS. That is all. I just wanted to get that clear.

Mr. RAMSEY. May I say something to this, Senator? We still owe in back dividends about 16 per cent, which we have not——

Senator WILLIAMS. You still owe what?

Mr. RAMSEY. We still owe back dividends of about 16 per cent.

Senator CLARK. On your preferred stock?

Mr. RAMSEY. Yes.

Senator WILLIAMS. How can you owe dividends?

Mr. RAMSEY. They are cumulative dividends.

Senator WILLIAMS. Oh! On the preferred stock?

Mr. RAMSEY. Yes.

Senator SMOOT. You have stated that in the goods you manufacture 80 per cent or more of the cost is labor, have you not?

Mr. RAMSEY. Yes.

Senator SMOOT. Did you also state what percentage of that labor was common labor and what percentage was skilled labor?

Mr. RAMSEY. I can not do that.

Senator JOHNSON. He said 50 to 55 per cent.

Senator SMOOT. He said over 80 per cent.

Senator JOHNSON. At the beginning he made that statement. Later he said 50 to 55 per cent.

Senator SMOOT. Which is right?

Mr. RAMSEY. They are both right, because they are in connection with different questions.

Senator CLARK. He figured first on the material from the time it was in the ground, and in figuring it the second time he figured on the material from the time it went into his hands until the time it left him.

Senator SMOOT. Then both may be correct?

Mr. RAMSEY. Yes.

Senator SMOOT. The labor on the goods manufactured by the crucible steel manufacturers amounts to over 80 per cent of the cost of the goods?

Mr. RAMSEY. Yes.

Senator CLARK. I would like to have that straightened out.

Senator WILLIAMS. You can not do it right now, of course, because it would take up too much of your time, but I wish you would produce and hand to the stenographer the different elements out of which you make the computation which you have just given in your answer to Senator Smoot—

Mr. RAMSEY. Yes.

Senator WILLIAMS. So that the committee may have something to judge by as to whether your computation is accurate or not, you know.

Mr. RAMSEY. Yes; I have that all figured.

Senator WILLIAMS. Furnish it to the stenographer, so that we can see just what you claim constitutes this 80 per cent, and how it constitutes it.

Senator CLARK. You have that figured out in regard to the other industries as well as your own?

Mr. RAMSEY. No; you mean the other manufacturers in our line?

Senator CLARK. In your 80 per cent you are figuring the labor cost in your own industry, and also the labor cost in the other industries?

Mr. RAMSEY. Yes.

Senator CLARK. I can see very well where you can figure accurately the cost in your own industry as from 50 to 55 per cent. Have you the means of knowledge to enable you to accurately figure the percentage of the cost of labor up to the time it reaches you?

Mr. RAMSEY. I think that is pretty accurately ascertained by these various institutions.

Senator WILLIAMS. One of my objects in asking the question was to enable us to judge of the accuracy.

Senator SMOOT. Let that follow right after the question.

Mr. RAMSEY. You can judge from what I have given you.

The ACTING CHAIRMAN. I would like to have you give the system by which you arrive at your conclusion.

Mr. RAMSEY. I beg your pardon.

The ACTING CHAIRMAN. Tell the committee, if you can, the system you have followed. You say you have it very accurately. How do you reach that conclusion? How do you find out the percentage of the cost of labor in the other industries which are involved in the goods you represent? How do you find out that the figures for the

other industries have been accurately calculated, when you do not do it yourself?

Mr. RAMSEY. We get that from reports. The United States Government can furnish us with most of that. The Government right here in Washington can give us all that information.

Senator CLARK. I would like to have you tell us where we can get it.

Mr. RAMSEY. You certainly have enough people around to gather it.

Senator CLARK. But Congress does not always have that information.

Senator SMOOT. Mr. Schwab testified here the other day as to what the labor cost was in producing the articles he uses in making his product.

Senator WILLIAMS. Also, when you put that in, give the source from which you get it.

Senator CLARK. I would rather have it from Mr. Schwab than from this gentleman who is not engaged in the business.

Senator WILLIAMS. When you put that information in, put in the source from which you get it, too.

Mr. RAMSEY. All right. If I may just say a few words—

Senator JOHNSON. I would like to ask the witness a question. You said that your capitalization consisted of \$25,000,000 worth of preferred stock and \$25,000,000 worth of common stock. Is it all issued?

Mr. RAMSEY. All but about half a million dollars worth of common.

Senator JOHNSON. How is it paid for?

Mr. RAMSEY. By plants and money.

Senator JOHNSON. What plants went to pay for your stock?

Mr. RAMSEY. I will answer that question in this way: The plants that constitute our company.

Senator JOHNSON. How many plants were combined?

Mr. RAMSEY. About nine or ten.

Senator JOHNSON. Nine were combined?

Mr. RAMSEY. Ten.

Senator JOHNSON. And these plants were paid for in stock?

Mr. RAMSEY. And money.

Senator JOHNSON. Who determined the value of the plants?

Mr. RAMSEY. That was before my time. I can not tell you.

Senator JOHNSON. Were these nine plants operated separately before that?

Mr. RAMSEY. Yes.

Senator JOHNSON. And independently?

Mr. RAMSEY. Yes.

Senator JOHNSON. When were they combined?

Mr. RAMSEY. In 1900.

Senator JOHNSON. Can you state the value at which each plant was put in and paid for in stock?

Mr. RAMSEY. I know nothing about that at all. That was before my time.

Senator JOHNSON. Will your books show that?

Mr. RAMSEY. I think so.

Senator JOHNSON. Can you furnish that to the committee?

Mr. RAMSEY. Not to-day. I can get you the information.

Senator JOHNSON. Can you do it later?

Mr. RAMSEY. Yes.

Senator JOHNSON. Will you do it?

Mr. RAMSEY. Yes.

Senator SIMMONS. Can you tell the committee the amount of imports of your product into this country last year, we will say?

Mr. RAMSEY. The amount of imports of high-speed steel was about 2,000 tons; from 1,500 to 2,000 tons, out of a total consumption of about 6,000 tons. The amount of imports of the other grades I would have to consult the congressional book here about. I can not tell you exactly.

Senator SIMMONS. You said there was made in this country 75,000 tons of the things you manufacture?

Mr. RAMSEY. Yes.

Senator SIMMONS. What is the annual consumption of the things you manufacture?

Mr. RAMSEY. We manufacture 75,000 tons, and I would say there are 125,000 tons consumed. Does that answer you?

Senator SIMMONS. So there are 50,000 tons imported?

Senator SMOOT. No.

Senator SIMMONS. He says there are 125,000 tons consumed.

Mr. RAMSEY. You are right in your computation. We furnish 75,000 tons out of 125,000 tons.

Senator SIMMONS. You mean the total American production is 75,000 tons?

Mr. RAMSEY. Yes.

Senator HEYBURN. That is, your production alone?

Mr. RAMSEY. No; the 75,000 tons is the American production—75,000 to 100,000 tons. Then I gave what I thought was our percentage.

Senator SIMMONS. And there are 125,000 tons consumed?

Mr. RAMSEY. About 125,000 tons.

Senator SIMMONS. Where is that which is imported imported from?

Mr. RAMSEY. It comes from England.

Senator SIMMONS. Altogether?

Mr. RAMSEY. Largely; and Austria; some from Germany, and a little bit from France, but not much; and some from Italy.

The ACTING CHAIRMAN. Have you anything further to say?

Mr. RAMSEY. If you will allow me, I would like to take just a minute. This production of 75,000 tons a year represents a great deal to the American manufacturers. We have about 20,000 working men, with their families dependent upon them, and unless we have proper protection on our product the other fellow with his cheaper labor and his cheaper raw material puts us on the defensive, and if we are obliged to economize there is only one way we can economize, and that is to bring our \$4 laboring man down as closely as we can to the other fellow. I hope this committee will see its way clear to prevent that.

Senator WILLIAMS. Could you make a statement now giving the total value of the product which you turned out last year, at the prices at which it was sold last year, and the total amount that you paid to labor, say from January to January?

Mr. RAMSEY. That is all here in Washington.

Senator WILLIAMS. What is that?

Mr. RAMSEY. That is all here in Washington.

Senator WILLIAMS. It is all here in Washington in a confidential report to the executive department, to which we have no access. [Laughter.]

Mr. RAMSEY. We will be very glad to give you the information.

Senator WILLIAMS. If you can not give it now I wish you would furnish it later. I would like to have the total amount of your sales during the year, the total value of the product turned out by you during the year at the prices of your sales, the total amount paid for raw material, and the total amount paid for labor.

Senator HEYBURN. I desire to ask you some questions relative to the elements that enter into the manufacture of this steel. How much tungsten do you use in a year?

Mr. RAMSEY. I can not answer that question offhand.

Senator HEYBURN. Approximately.

Mr. RAMSEY. It would amount approximately—let me see. I would say, subject to correction, about 250 tons a year.

Senator HEYBURN. Where do you get it?

Mr. RAMSEY. We get it here and abroad.

Senator HEYBURN. How much of it do you get abroad? What percentage would you estimate it to be?

Mr. RAMSEY. I could not tell you. A very small percentage; but I could not tell you.

Senator HEYBURN. You get most of it here?

Mr. RAMSEY. We get most of it here.

Senator HEYBURN. There is a duty on tungsten now?

Mr. RAMSEY. Yes.

Senator HEYBURN. And it is proposed to put it on the free list?

Mr. RAMSEY. Yes; I know it is proposed to put it on the free list.

Senator HEYBURN. Do you know the relative cost of that metal between our country and abroad?

Mr. RAMSEY. No; I do not. I can get you that information, though.

Senator HEYBURN. The home production of it is recent, is it not?

Mr. RAMSEY. Yes.

Senator HEYBURN. And largely the result of the duty that was placed upon it?

Mr. RAMSEY. Altogether.

Senator HEYBURN. And should the duty be removed you would probably buy it all abroad, would you?

Mr. RAMSEY. We would have to.

Senator HEYBURN. You think the effect would be just what it was before the duty was put on—it would be prohibitive against home production?

Mr. RAMSEY. Yes.

Senator HEYBURN. And while not large in amount, that is essential to the making of what you call high-grade steel, is it not? It revolutionized the making of steel?

Mr. RAMSEY. It is absolutely necessary. You could not manufacture high-speed steel without it.

Senator HEYBURN. Its use resulted in the creation of a new character of steel, did it not?

Mr. RAMSEY. Its use did; yes.

Senator HEYBURN. That is what you call—what is the technical name? It is not high-power steel?

Mr. RAMSEY. High-speed steel.

Senator HEYBURN. High-speed steel. In other words, it gives an edge to the steel tool that will permit it to be run at a greater speed in the cutting process?

Mr. RAMSEY. It gives it inherent qualities; yes.

Senator HEYBURN. And it makes a steel that is superior to any that was ever known before the introduction of tungsten?

Mr. RAMSEY. I think so.

Senator HEYBURN. The building up of the industry in this country, to supply all that is now needed, with the increased demand for it, for making that steel of high grade, would be of very great benefit to the people, would it not?

Mr. RAMSEY. Yes.

Senator HEYBURN. As well as to promote the development of the mines of this country?

Mr. RAMSEY. Yes.

Senator HEYBURN. You do not think, then, the duty should be removed from tungsten?

Mr. RAMSEY. I do not think the duty should be removed from tungsten or tool steels or high-speed steels.

Senator SMOOT. The rate on tungsten-bearing ores is only 10 per cent now, is it not?

Senator HEYBURN. It is enough to build up the mines of this country. It is 10 per cent on the piece of ore that you have there [indicating]; that is worth \$1,900 a ton. Of course that is not pure tungsten. The tungsten in it is worth that much.

Senator SIMMONS. When was tungsten taken off of the free list?

Senator SMOOT. In 1909.

Senator HEYBURN. We put a duty on it in the last tariff, and it stimulated the development of tungsten.

Senator SIMMONS. What do you pay for that tungsten now? What does it cost?

Mr. RAMSEY. I answered that awhile ago. I said the price was 75 cents a pound, roughly.

Senator SIMMONS. What did you pay for it when you first began?

Mr. RAMSEY. We paid all the way up to \$1.31.

Senator SIMMONS. Then the price has been falling.

Senator HEYBURN. It not only resulted in the development of tungsten mines, but it resulted in the making of a better quality of steel than had ever been made in any country before. I think those are the basic facts that I wanted to bring out.

The ACTING CHAIRMAN. Is there anything further?

Mr. RAMSEY. I just want to say one word more, and that is that the high-speed steel is not the only thing. While it is a very important factor it is not the only thing that we are particularly anxious we should have the right amount of tariff on. Everything in old paragraphs (I will have to find out what they are) 129, 131, 135, and 137 should be protected, in our way of looking at it, in justice to the American manufacturer, who has had, heaven knows, enough to bear, and the American laborer; and we leave our case with the Senate committee in the hope that it will do us justice.

Senator SMOOT. Is the present rate satisfactory?

Mr. RAMSEY. The present rate was a compromise.

Senator SMOOT. You think, however——

Mr. RAMSEY. We can struggle along under it.

Senator SMOOT. You can run under it?

Mr. RAMSEY. Yes.

Senator SIMMONS. Do you know the European price of tungsten?

Mr. RAMSEY. No; I do not.

Senator SMOOT. It would be about 10 cents less than our price, would it not, as the duty is only 10 cents?

Senator SIMMONS. That does not exactly follow. I would like to have his knowledge, if he has it; but if he is going to draw a conclusion, I do not care for it.

Mr. RAMSEY. I can not tell you.

Senator HEYBURN. The difference was about \$7.50 a ton before the duty was put on it.

Senator SMOOT. Oh, no.

Senator HEYBURN. Let us see if I am not right.

Senator CLARK. \$7.50 a ton difference in the cost?

Senator HEYBURN. The difference in the cost and the duty gave us the benefit of about \$1.50 a ton.

Senator SIMMONS. The price of tungsten has fallen in Europe as well as in this country, has it not?

Senator SMOOT. If it is 75 cents a pound——

Senator SIMMONS. I will ask the witness that question. Has the price fallen in Europe as well as here?

Mr. RAMSEY. I just said that I could not tell you offhand anything about the price in Europe. I can give you that information this afternoon, if you want it. I can get it for you.

Senator SIMMONS. Will you do that?

Mr. RAMSEY. Yes.

Senator HEYBURN. There is some confusion about your figures. Will you state the price of tungsten per pound?

Mr. RAMSEY. Seventy-five cents a pound, metallic.

Senator SMOOT. \$1,500 a ton.

Senator HEYBURN. Your chipping in confuses my statement. I wanted to get the figures straight. Excuse the personality, but I do not want to be made to appear as saying a ridiculous thing. I stated the price as he stated it, \$75 a ton. I can reduce that to pounds.

Senator SMOOT. All I wanted to do was to get it straight.

Senator HEYBURN. I wanted to bring out the difference by this witness, to show that the difference between the price of tungsten abroad and in this country was about \$1.75 a ton less for the foreign product, and that the duty gave us what you would call a reasonable profit of about \$1.75.

Senator SMOOT. A ton?

Senator HEYBURN. No. If the Senator will put it down on a piece of paper there now he can figure it out. [Laughter.]

Senator SMOOT. The Senator is wrong.

Senator HEYBURN. Well, let us not have any personal controversy about it.

Senator SMOOT. Let us get it right. If tungsten is worth 75 cents a pound, then it is worth \$1,500 a ton.

Senator HEYBURN. If it is worth \$75 a ton?

Senator SMOOT. If it is worth 75 cents a pound.

Senator HEYBURN. It is not.

Senator SMOOT. The witness said it was worth 75 cents a pound.

Senator HEYBURN. Did you say that?

Mr. RAMSEY. I did.

Senator HEYBURN. Metallic tungsten?

Mr. RAMSEY. I did.

Senator SMOOT. That is what he said, that it is worth 75 cents a ton [laughter]—or a pound, rather. He says it is worth 75 cents a pound. If it is worth 75 cents a pound, it is worth \$1,500 a ton.

Mr. RAMSEY. Yes.

Senator HEYBURN. That is a mere matter of lead pencil.

Senator SMOOT. That is true.

The ACTING CHAIRMAN. There seems to be too much talking and no testimony. [Laughter.] If the witness has anything more to say, he can go ahead; if not, we will excuse him.

Mr. RAMSEY. I have finished. We leave ourselves in your hands.

Senator HEYBURN. Mr. Chairman, let me exercise the privilege of asking this witness a question. I want to know whether or not the duty is necessary in order to protect against foreign importations of tungsten?

Mr. RAMSEY. Yes; I think it is.

Senator HEYBURN. That sums it up. That settles the 75 cents. [Laughter.]

Senator WILLIAMS. After all, that is a matter for argument.

STATEMENT OF HON. NICHOLAS LONGWORTH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO.

Mr. LONGWORTH. Mr. Chairman and Senators, I have been asked to make a very brief statement showing just exactly what is involved in this question that these gentlemen desire to bring to your attention. First, I will direct your attention to paragraph 73 of the present bill. In the Payne law most of the articles described were in paragraph 197, namely, cash registers, jute-manufacturing machinery, linotype and all typesetting machines, machine tools, printing presses, sewing machines, typewriters, and all steam engines, 30 per cent ad valorem. In the present act cash registers, linotype and all typesetting machinery, machine tools, printing presses, sewing machines, and typewriters are put on the free list, so that the substantial difference between the two paragraphs to-day would be that jute-manufacturing machinery is left dutiable at 30 per cent and steam engines at 15 per cent, all the other articles going on the free list.

Machine tools are the articles in which all these gentlemen who appear here are interested. It is an industry that has a very wide range in this country, and it is generally said that the headquarters of the industry is in southern Ohio. That is the fact, is it not, Mr. Geier?

Mr. GEIER. I will give some figures after a while.

Mr. LONGWORTH. At least, it is a very important industry in that part of Ohio. The reasons that have been advanced by the gentlemen at present in charge of legislation in the House for putting the finished product of an American industry on the free list and at the same time leaving the duty on every article that goes into the finished product have been either that it was a trust, that there were no imports of the

article and large exports, or else that it was protected by patents. These gentlemen will be able to show you, first, that there is no protection whatever by patent; second, that there is no combination, or any thought of combination, in this industry—it is one of the most fiercely competing industries, of very wide range of territory, in the country; and, third, that while in the past exports have been very large and the imports comparatively few, that that ratio is changing and will undoubtedly change should machine tools go on the free list. They will show you that within the last few years Germany is making almost exactly the same type of machine tool that is being made in this country, making them with very much cheaper labor. Not only do they fear that if machine tools go on the free list they will lose largely the export trade, but that they will not even be able to keep the home market.

Senator CLARK. Mr. Longworth, just what is included in the general term "machine tool"?

Mr. LONGWORTH. That is a question I am going to leave to these gentlemen to discuss. Unfortunately, it is a very hard definition to give. It seems that the trade definition and the Treasury definition do not exactly agree, and for that reason it will be rather difficult to give the amount of exports or imports. The machine tools, however, in which these gentlemen are interested are used, I think I am correct in saying, in manufacturing metal.

Mr. WALTER. Metal cutting.

Mr. LONGWORTH. Metal cutting; whereas under the broad term "machine tools," as interpreted by the Treasury definition, it would include also woodworking machinery and every type of machinery of that kind. So that under any circumstances the term "machine tools" is broad enough to cover the article made by these gentlemen and, in addition, a great many other articles.

They desire to be closely questioned on every proposition involved, and I will introduce Mr. Fred Geier, of the Cincinnati Milling Machine Co.

STATEMENT OF MR. FREDERICK A. GEIER, OF CINCINNATI, OHIO, REPRESENTING CINCINNATI MILLING MACHINE CO.

Senator CULLOM. Whom do you represent?

Mr. GEIER. I represent all the machine-tool builders in this country. They have placed the burden upon me to present to you gentlemen the arguments we have to place before you in the matter of the proposed bill which is under consideration at this time.

Taking up some of the questions that were asked by Mr. Longworth, I would like to state that since I have been in Washington I confess that my own ideas as to what a machine tool is have been very much confused. But these gentlemen whom I represent here this morning have had in the past an interpretation of the word "machine tools" that I say is different from the one I have been getting in Washington since I have been here. In other words, in talking with your statisticians and with Congressmen and others and looking over the recent decisions on the part of the customs appraisers, and even the decisions of the Court of Customs Appeals, I no longer know what a machine tool is. But I might say this, to give you some sort of an idea, that you could not operate a railroad, you

could not run a steamship, you would not have a telegraph or a telephone or an electric light, you could not plow the fields in the West, you could not do any of the mechanical things that are going on in this country, that have developed the United States to its present position, if you did not have machine tools. Take away the machine tools and America would be powerless to protect itself against any foreign invasion. There is no battleship that goes out that is not fundamentally dependent upon the use of machine tools. So while it is difficult for us at this time to describe to you in detail what a machine tool is, the uses of a machine tool extend into every avenue, and especially in every industrial vocation in this country. As we go along I hope to make you more familiar with what a machine tool looks like, because it is exceedingly important, I think, at this time, that you shall have a fairly clear idea of what machine tools are.

Briefly, I want to make this statement, that up until the Payne bill of 1909 machine tools were in the general classification of metal-working machinery. Some of the manufacturers of machine tools who were alert and were constantly watching the foreign market and seeing what was developing there found that the tendency on the part of certain of the foreign countries was to raise their tariffs against us. With that in mind, and also believing that we were so sure of our own ground, we went before the Ways and Means Committee in November, 1908, and voluntarily suggested that if we would put into the hands of the Government the opportunity of treating with other nations for a moderate tariff against us, it would be proper for us to have our duty reduced from 45 to 30. As a result of that, the present tariff is a minimum and maximum of 30 and 37½ per cent; 30 to the countries that favor us and 37½ to the others.

Senator SIMMONS. Do you speak of general minimum and maximum in the bill, or a special minimum and maximum applying to your industry?

Mr. GEIER. For the first time in all tariff acts machine tools were given a special classification. Going back through all the tariff acts, machine tools were classed in a general clause, manufactures of iron, steel, not otherwise specified, and always had a tariff of 45 per cent, with one exception, the Wilson bill reducing it to 35. It was not until the voluntary suggestion on our part to the Ways and Means Committee of 1908 that the tariff was reduced to 30 per cent.

Senator JOHNSON. You say it was a suggestion; it was a request, was it not?

Mr. GEIER. No, sir.

Senator JOHNSON. Did you not sign a petition, the Cincinnati Milling Co. and others, asking a reduction?

Mr. GEIER. I think we have that here.

Senator JOHNSON. You asked for a reduction?

Mr. GEIER. In consideration of making arrangements with other countries for a reduction of their tariffs against us we suggested we would be perfectly willing to have our tariff reduced from 45 to 30. I want to say right here that the manufacturers at that time—I do not think we are to be blamed for that—could not and did not foresee the rapidity of the progress that particularly the German Nation has made.

Senator HEYBURN. That was in the interest of the exporters, was it not, that proposition of yours?

Mr. GEIER. Yes, sir.

Senator HEYBURN. And you disregarded the interests of the small manufacturers all over the country in order that the exporters might have that advantage in the foreign market?

Mr. GEIER. No; I think not. At that time the sentiment of the machine-tool manufacturers was this, that, having originated the machines, being the first to organize the manufacture of them, we would be able to keep out the foreign importation of machine tools with a duty of 30 per cent.

Senator HEYBURN. You did not do it, did you?

Mr. GEIER. No; we did not. I simply say we did not at that time foresee the rapidity with which the German Nation would progress since that time. But I do not think we should be penalized now for what we thought was rather a patriotic act.

Senator WILLIAMS. One word right there before you pass by. You say you did not keep out the imports of machine tools from foreign countries. You are still exporting machine tools, are you not?

Mr. GEIER. Yes, sir. Right here, if it would be entirely agreeable to you, we have prepared our case very thoroughly, and it is in sequence, and every question, I think, that you could possibly raise will be more or less answered in the statement as we go along. I should be very happy, after we finish our statement, to answer any and all questions.

Senator HEYBURN. I think the members of the committee will have to treat this thing each according to his own ideas as to what will give him the information he wants, and I think it is better for the suggestion to be made appropriate to the stage of consideration that you reach.

Senator WILLIAMS. I wanted this information because it immediately follows logically upon the information that the Senator was desiring to get. You still export machine tools, I understand. What is the amount of these importations of machine tools to which the Senator referred?

Mr. GEIER. The amount of importation of machine tools has only been classified in the statistics since 1909. Beginning with 1910 the imports were \$177,000; in 1911 the imports were \$191,082.

Senator WILLIAMS. What were the exports for those two years?

Mr. GEIER. The exports of machine tools—I do not know how much. The machine tools, in the figures of the Government, are included in the export figures of metal-working machinery, including machine tools.

Senator WILLIAMS. Under that very report there, where they put the imports they also put the exports, do they not, referring to the same articles?

Mr. GEIER. No; there is another statement. Please recall that metal-working machinery exports include other things besides machine tools.

Senator WILLIAMS. So did the imports, did they not?

Mr. GEIER. No; I am trying to make that clear.

Senator WILLIAMS. The same phraseology is used as to both, is it not?

Mr. GEIER. No. The imports are scheduled under machine tools, the exports under metal-working machinery, which includes machine

tools. The exports of metal-working machinery in 1910 were \$5,975,000; in 1911, \$9,626,000.

Senator WILLIAMS. The exports were five million something and nine million something, and the imports were less than \$200,000 in each year?

Mr. GEIER. Yes, sir; not on identical items.

Senator WILLIAMS. I beg your pardon for interrupting you, but I thought it was necessary to get that in there.

Senator CLARK. You have not got that in right yet. He did not give it the way you understood him to give it to you.

Senator WILLIAMS. Yes, he did.

Senator CLARK. They are not the same article.

Senator WILLIAMS. I understand. He says one is listed under the name of "machine tools," and the other under the name of "metal-working machinery."

Senator CLARK. But the two lists do not cover the same articles.

Senator WILLIAMS. I understand that that is a matter of argument. We will learn later when we come to examine it.

Senator CLARK. I understood it was a matter of testimony.

Senator WILLIAMS. About how much it covers, the extent of the two things is practically the same.

Senator SIMMONS. The imports are listed under the head of "metal-working machinery."

Senator WILLIAMS. What I got in was this, that you stated that one was machine tools and the other was under this different phraseology.

Mr. GEIER. Imports are scheduled under "machine tools"; the exports under "metal-working machinery," which includes machine tools.

Senator SIMMONS. You read the imports of machine tools. Now, I ask you if there are any imports of metal-working machinery?

Mr. GEIER. I can not answer that question, because the Treasury decisions are letting in under that clause now machines that formerly in the trade we did not classify as machine tools. What part of that it is I can not say, because I can not get from the Government offices any items as to either the exports, classifying them by the different machines, or as to the imports.

Senator HEYBURN. What is it according to the Treasury statement—according to their classification?

Mr. GEIER. Machine tools.

Senator HEYBURN. You were asked by Senator Simmons what it was according to the Treasury statement or estimate. You said you could not analyze it. Just leave it as it is, without analyzing it.

Mr. GEIER. It is \$177,000 in 1910 and \$191,000 in 1911.

Senator HEYBURN. That was not the article the Senator inquired about.

Senator SIMMONS. You stated that exports, as it appeared in the Treasury statement, were metal-working machinery.

Mr. GEIER. Metal-working machinery, including machine tools.

Senator SIMMONS. Now, you stated that there was in the Treasury statement a statement of the imports of machine tools. I want to get, if it is the Treasury report, the imports of metal-working machinery other than machine tools.

Mr. GEIER. I do not think it is given; I do not know it myself.

The CHAIRMAN. Are there any other articles than machine tools in that list of the Treasury?

Mr. GEIER. No; there would not be in that list, because that is a 30 per cent list. The other metal-working machinery is still on the 45 per cent list.

Senator WILLIAMS. What, in your opinion, is the proportion of machine tools to other metal-working machinery in those exports?

Mr. GEIER. I made the statement some time ago, offhand, that I thought the total exports of machine tools, as we understand them, to all parts of the world, would not exceed \$5,000,000. We have since that time made some more careful analysis, and I feel quite sure that my first statement is more than sufficient to cover the exports of machine tools we make.

Senator WILLIAMS. Would you change that estimate now?

Mr. GEIER. If anything, I would make it a little less.

Senator WILLIAMS. How much less? Would you make it four millions, or four and a half, or what?

Mr. GEIER. I might make it four and a half million. I think that would be nearer right than five. Unfortunately, I have not got from the Government offices any figures on that point to be accurate. May I proceed?

The CHAIRMAN. Proceed, sir.

Mr. GEIER. I want to say here, gentlemen, that the American engineer, with his inventive ability, supported by the progressive and aggressive spirit and enterprise of American capital, was the pioneer in bringing the modern machine tool to its present high productive capacity. He not only gave to American industry in all its forms, but also to the industries of the world, the instruments by means of which the cost of all manufacturing has been greatly reduced. We do not claim in our industry that we invented the loom, the cotton gin, the shoe-making machine, the locomotive, or the electric motor; but, gentlemen, it is a fact that by the use of our product we have tremendously contributed to reduce the cost of all these articles and assisted in making possible and broadening the commercial use of them. This work that we have done has been done at a tremendous expense to the American tool builder. It is impossible to give any figures, but it would certainly run into the millions of dollars. In fact, as one characteristic of the American tool builder, he is constantly inventing and perfecting new machinery to his credit; he takes the lead in the world along the line of creating new machinery. I want to say right here that it would be a conservative statement that 5 per cent of the total cost of our production is to be found in that continuous work of invention and development of the American machine tool. Unfortunately, it being an old industry, we can not get any fundamental patents, and therefore we are making this contribution to the world without any opportunity of protecting ourselves and getting paid for the work we are doing.

I want to say here that this industry, which represents an output possibly of \$40,000,000 and a capitalization of about the same, is divided among about 225 concerns.

Senator HEYBURN. How many are there altogether?

Mr. GEIER. About 225 concerns, dividing this business.

The CHAIRMAN. In the United States?

Mr. GEIER. In the United States.

Senator SIMMONS. Those 225 concerns are distinct; they have no connection one with the other?

Mr. GEIER. They are absolutely distinct and separate, and they are fighting the good fight of competition as keenly and as honestly as anybody could possibly expect them to do.

Senator HEYBURN. But they all agree on the tariff question, and they sent you here to represent them all, your interests being mutual?

Mr. GEIER. Our interests are absolutely mutual in this matter. They simply have delegated me to place before you as best I can their reasons for asking reconsideration of this bill.

Senator SIMMONS. Right in that connection, you said a little while ago that the imports to this country were less than \$200,000 last year. Can you tell the committee what is the total production of those 225 concerns?

Mr. GEIER. I just told you that it was about \$40,000 000. The last census we were able to get hold of was 1909, and the Bureau of Manufactures gives there the production of the machine-tool industry at \$39 000 000. So forty millions would be approximately the production of that industry.

Senator SIMMONS. Out of that is exported about between four and five millions?

Mr. GEIER. I should estimate about four and a half million dollars were exported last year to all the world.

Senator SIMMONS. Then the domestic consumption is about thirty-four million, of which only two hundred and fifty thousand was imported?

Mr. GEIER. Yes, sir. I want to say here, though, before we go any further, and before you make any false conclusions, the exports last year of machinery, and even part of the year before, were larger than ordinarily, and I will show you later on the fluctuation in the exports of machine tools due to the fact that England and Germany are enjoying a period of prosperity such as they have not had for a decade, and at the same time we in this country have been running at about a 60 per cent production. Business is so dull that we have machines in this country for immediate delivery, whereas the English and German manufacturers were so filled up with orders that they could not deliver promptly, and that gave us the opportunity for temporarily again raising our export figures. It is a temporary condition that should be analyzed.

Senator HEYBURN. You could beat them to their own customers, could you?

Mr. GEIER. In the matter of time.

Senator McCUMBER. What are your chief countries of export?

Mr. GEIER. Our chief countries of export are England, Germany, and France.

Senator McCUMBER. Do you mean you export to England?

Mr. GEIER. England, Germany, and France. That needs to be understood; and I hope you will be patient enough to allow me to present to you clearly why it is we are to-day still exporting machines to those countries and what the machines are we are exporting there. We want to show you that the machines we formerly exported to Germany and England have disappeared from our export trade; that because, however, the American engineer and American machine-tool builder is constantly putting on the market new types of highly organ-

ized and highly productive machines; what business he has to-day is on the newer types of machines that are not yet duplicated in the other countries; that the old business we formerly had is gone; and that, therefore, when you look in the export figures to-day, as contrasted to 10 years ago, you must remember that it is in a measure an entirely different product, although it is still called "machine tool." Furthermore, an analysis would show this: That out of the 225 concerns, a large part of which 10 years ago exported machinery abroad, the number has narrowed down, and there are comparatively few concerns left in the machine-tool industry that still are exporting machines, and those concerns are only exporting such machines as, I say, in number, in quantity, that would amount to anything; that are of the newer type; more highly organized machines; that have not yet been duplicated in Europe.

Senator McCUMBER. When you elucidate the fact that you are able to export into a country whose imports you are afraid of, you will also, I suppose, explain whether or not you sell in those countries cheaper than you are selling in our own country?

Mr. GEIER. I did not get that last.

Senator McCUMBER. I say, in explaining, will you explain also to the committee whether or not you are selling your products cheaper in the export markets than you are in the domestic market?

Mr. GEIER. Yes, sir; we will be glad to explain any and everything to you that we can.

Senator SIMMONS. It seems to me it would be much more helpful to the committee if you would explain it now. I would like to know whether you are selling cheaper in England, France, and Germany than you are selling here.

Mr. GEIER. All right. May I finish, however, this first statement, to show how the machine-tool business is distributed geographically, and also by firms, to show clearly to your minds that it is a highly competitive business. I have here 9 firms, with a capitalization of over a million; 3 between \$750,000 and \$1,000,000; 11 between \$500,000 and \$750,000; 19 between \$300,000 and \$500,000; 20 between \$200,000 and \$300,000; 26 between \$125,000 and \$200,000; 18 between \$75,000 and \$125,000; 17 between \$50,000 and \$175,000; 20 between \$35,000 and \$50,000; 21 between \$20,000 and \$35,000; 11 between \$10,000 and \$20,000; 5 between \$5,000 and \$10,000; 1 between \$3,000 and \$5,000; and 42 not rated.

The CHAIRMAN. Where are those large firms located?

Mr. GEIER. I have not got them indicated as to location, but as to capital.

Senator HEYBURN. Are those all included in the ones you represent here to-day?

Mr. GEIER. Yes, sir.

Senator HEYBURN. Big and little.

Mr. GEIER. And the States are figured like this: Ohio has 58; New York, 22; Connecticut, 22; Massachusetts, 39; Illinois, 15; Pennsylvania, 16; Rhode Island, 6; Michigan, 8; Wisconsin, 10; Indiana, 7; Delaware, 3; Vermont, 4; New Jersey, 7; Maryland, 1; New Hampshire, 2; Iowa, 1; Maine, 2; Missouri, 1; in other words, 18 States.

Now, a Senator has inquired as to the matter of price. I want to say that I can not give you any exact figures as to what each one of

these manufacturers is doing as to his export business. I can make this statement, that the American machine universally costs more to the user abroad than it does to the user here.

Senator HEYBURN. There is where the confusion arises, I suppose.

Senator SIMMONS. You state that you sell the American machines higher in Europe than you do here?

Mr. GEIER. The customer pays more money because of the cost of transportation, the duty, and the cost of selling.

Senator SIMMONS. Your selling price in Europe is higher than it is here?

Mr. GEIER. The user in Europe universally pays more money for the machine there than the user would pay for it in this country.

Senator SIMMONS. That means the price is higher than it is in this country?

Mr. GEIER. Yes.

Senator JOHNSON. How about your selling price?

Mr. GEIER. Our selling price is somewhat modified for the European business in such cases, where the European agent takes upon himself some of the costs of the selling.

Senator SIMMONS. Are you afraid of European competition in these machines in the face of the fact that you sell these machines higher in Europe than you do in America?

Mr. GEIER. I did not say we sold these machines higher in Europe than we did in America. I simply said to you that the customer in Europe, because of the cost of transportation, freight, etc., and the selling cost, pays a higher price for the machine in Europe than the customer here in this country.

Senator SIMMONS. That means that the European price is higher than the price in this country?

Mr. GEIER. The consumer's price is higher abroad than in this country.

Senator CLARK. Where do you fix your price?

Mr. GEIER. At New York.

Senator CLARK. You fix your price at New York on your foreign-sold product?

Mr. GEIER. Yes, sir.

Senator CLARK. What I would like to know is this: At New York, where you fix your price and where your delivery is made, what is the difference between the cost to the foreign purchaser and to the domestic purchaser?

Mr. GEIER. In our own case, and I think this is pretty universally true, the cost of the freight from the factory to New York and for packing, boxing, etc., is possibly in some instances 5 per cent lower than the American dealer would pay for the same machine in New York.

Senator CLARK. In other words, the price of your machine furnished to the foreign consumer at the point of delivery is not higher than the price paid by the American buyer?

Mr. GEIER. Remember this: That a good many of our machines are not sold direct to the customers; they pass through agents' hands.

Senator CLARK. Do you have your agents?

Mr. GEIER. Oh, yes; agents here and agents abroad.

Senator CLARK. Can you not answer this question: Your point of delivery, where the product passes out of your hands, and at which

the price is fixed that is to come to your manufacturing concern, is New York?

Mr. GEIER. Yes, sir.

Senator CLARK. That takes in nothing as to ocean freight; it takes in nothing as to the cost of selling in the other country?

Mr. GEIER. No, sir; nor the duty.

Senator JOHNSON. The duty to England, France, and Germany has to be added.

Senator CLARK. You do not pay that duty, do you?

Mr. GEIER. No, sir.

Senator CLARK. What I am still trying to get at is, your selling price is the price of your goods in New York; is that it?

Mr. GEIER. We get less returns from the shipment abroad, because we make the delivery in New York City as opposed to the f. o. b. factory price for the domestic trade, and we absorb the cost of the packing, and in some instances make a further discount to the foreign agent to help him in his selling expense.

Senator CLARK. That is what I was trying to get at.

Senator WILLIAMS. That discount is about 5 per cent?

Mr. GEIER. Not always.

Senator SIMMONS. If you send to Europe your product, the freight rates have to be paid before the European customer buys, and added to the price he pays?

Mr. GEIER. Yes, sir.

Senator SIMMONS. If a European producer sends his product over here, he has to do the same thing, has he not?

Mr. GEIER. Yes, sir.

Senator SIMMONS. So that the fact remains that the price of this article, your product, which you export, is higher in Europe than it is in this country?

Mr. GEIER. Yes, sir.

Senator SIMMONS. Then why are you afraid of that competition?

Mr. GEIER. I submit that does not argue our case at all.

Senator SIMMONS. I think it does.

Mr. GEIER. We are sending to Germany, for instance, machines—

Senator SIMMONS. You are afraid of competition with a country where your product sells higher than it does in the domestic market?

Mr. GEIER. How could it help but sell higher in Germany, when I am just through telling you that the customer abroad must pay for the transportation and the duty and the cost of selling?

Senator SIMMONS. If the producer over there wants to send his product to this country and sell it in competition, he has to pay those charges, does he not? The freight from Europe to America is as great as the freight from America to Europe.

Mr. GEIER. It is a little less.

Senator SIMMONS. Why is that?

Mr. GEIER. Because the German Government owns 95 per cent of the railroads, and it is a well-known fact—in fact, we have the figures here—that both the freight and the inland water rate from factory centers to the seaboard in Germany, delivered to the steamship company, are about one-half what they charge for a local shipment.

Senator SIMMONS. There is a little difference against the Americans in the distribution and transportation cost after the article reaches the German coast?

Mr. GEIER. Let me make this clear to you, emphasize it again. We are claiming that our exports to Europe are largely confined to highly specialized and highly organized machines, such as are not as yet made to compete with the German machine; that the Europeans are making excellent machines of the kind and type that we shipped over there 10 years ago; that they are manufacturing those machines to-day at a cost very much under ours, and the removal of the tariff would not bring into this country immediately the highly organized machines, because they are not making them over there, but it would bring into this country a type of machine in which probably 75 per cent of this trade is engaged to-day in making.

Senator SMOOT. And where there is one of those highly manufactured machines made by the toolmakers of this country and exported to a foreign country, there are 25 or 50 of the other class that can be made by a foreign country, and without the tariff would be shipped in here in competition?

Mr. GEIER. Precisely.

Senator JOHNSON. American ingenuity and inventiveness is all the time at work making large progress in machines and machine tools of all kinds, and you are constantly discarding those made 10 years ago in manufactures of all kinds?

Mr. GEIER. That is a very general statement that is unfortunately doing our whole country a tremendous amount of harm. We are so constantly harping upon the idea that the genius, the invention, and also the skill of the American workman are superior to those of foreigners that we are unfortunately coming to conclusions that are not founded upon fact; and it must be borne in mind, and we are perfectly willing to show you—we have the data here to give you a clear idea of this whole matter—that a country like Germany, for which I have the highest respect, a country that is so scientific in everything that it does, a country that is, from an industrial standpoint, to-day the wonder of the world, enjoys a cost of production that we unfortunately do not have in this country.

Senator HEYBURN. Fortunately.

Mr. GEIER. And that we can not overcome the tremendous difference in the cost by our ingenuity and by our automatic machines, because she is so quick to use the same instruments that we use in the processes of our manufacture. I want to show you all that as we go along.

Senator SIMMONS. Does that agree with your statement just made, that we were the pioneers who invented these new machines and introduced them here, and then Germany and England and the balance came in and copied them? That is what you said.

Mr. GEIER. I do not retract what I said.

Senator SIMMONS. It is your argument that Germany is so much superior to us in inventive genius?

Mr. GEIER. I do not say that. I say that Germany, by her example, as she testifies herself—as I will produce later on—has taken the example of America and quickly has followed the American in his footsteps, and with such a rapidity, as I say to you, that we in 1908, when we suggested this modification of a 45 per cent rate to a 30 per

cent rate, ourselves did not realize the rapidity with which she would make that progress.

Senator SIMMONS. Then, if I understand you correctly, Mr. Geier, your proposition is simply this: That you are able to export to those countries, Germany and England, only an advanced type of machine, which is superior to anything they have at the present time; but that, as in a very short time they will copy these same machines, you can not export unless you are able to still advance something beyond what they have produced, and that would be some particular type of machine?

Mr. GEIER. It is not only the fact that we are making machines of more advanced type, but in some cases we have plants in this country for the production of machine tools that are so finely organized that they produce a quality of product that is not yet equaled in Germany. There are distinctions, you see. You might have a comparatively simple machine, but in which the requirements for accuracy were so great that Europeans would buy the machine because it had been developed to the highest degree of accuracy.

Senator McCUMBER. That would be an advanced design.

Mr. GEIER. It would not only be an advanced design, but a degree of refinement in manufacture that they have not equaled yet.

Senator SIMMONS. You do not mean to say that you are exporting to Europe now only such types or qualities of machine as Europe has not been manufacturing?

Mr. GEIER. That has to be explained. There are 15 manufacturing of milling machines in Germany. There are still American milling machines sent to Germany.

Senator SMOOT. Why?

Mr. GEIER. They are sent over there because the American milling machine was the most highly developed machine, not only as to design, but it reached a degree of accuracy such as is not even yet equaled in Germany. And that machine requires a high degree of accuracy. I am proud enough to disclaim that Germany has equaled the American manufacturer of milling machines for refinement and degree of accuracy. But I must admit this, that the German milling machine maker, during the past 10 years, has made tremendous advances, and that he is daily and yearly taking away some of the market in Germany that the Americans formerly had. In other words, that our market in Germany for milling machines that are highly developed, finely made, is constantly getting smaller and smaller.

Senator SIMMONS. Growing less?

Mr. GEIER. Growing less.

Senator SIMMONS. But you do not say that you export to Europe only machines of a type and quality that are not made in Europe?

Mr. GEIER. No.

Senator SIMMONS. Then, there is European competition, in Europe, with your exported machine?

Mr. GEIER. Yes; worse than that, gentlemen; the competition in Germany is something terrific. But already we are having something of the competition right here on our own shores with the 30 per cent tariff against them.

Senator SIMMONS. Are you making as much profit on your machines shipped to Germany as on your machines sold in this country?

Mr. GEIER. We think we make fully as much, because the foreign dealer in our machine assumes a great many costs of marketing that machine that here in our own country we ourselves assume.

Senator McCUMBER. Right on that point, Do you sell to the wholesale market in New York or do you handle your business only through agencies?

Mr. GEIER. We handle our business only through agencies. There is no wholesaling of machine tools. There might be some exceptions to that on the part of some manufacturers who are represented here to-day. Some sell direct.

Senator SIMMONS. You do wholesale in this country?

Mr. GEIER. There is no such thing as wholesaling machine tools; unfortunately not. We can not sell our machines in that quantity.

Senator HEYBURN. No one buys them and holds them for a market?

Mr. GEIER. No.

Senator HEYBURN. You sell on orders?

Mr. GEIER. Yes.

Senator SIMMONS. You do not mean to say you sell altogether to the man who is going to operate the machine?

Mr. GEIER. Yes, sir; direct to the man who is going to operate the machine, or through a dealer who buys the machine for the consumer.

Senator SIMMONS. Then you do sell to dealers, and not to users?

Mr. GEIER. These dealers represent us in a selling capacity. They are simply there to introduce our machines, to carry the accounts, and so forth.

Senator SIMMONS. They buy the machines outright, do they not?

Mr. GEIER. No; not in all cases. Some dealers buy machines outright and put them in stock like you would put groceries. But the majority of machine tools to-day are only ordered from the manufacturer after the dealer has made a sale to the customer.

Senator SIMMONS. If the dealer has made a sale of 100 of your machines. [Great laughter.]

Mr. GEIER. I think I will have to apologize for my fellow manufacturers for bursting out in laughter. It is because the amount of sales is so unusual.

Senator SIMMONS. If a dealer of the character you spoke of has sold to his customers a given number of machines, and then orders that number from you, he has paid all the expense of selling, himself, has he not?

Mr. GEIER. Yes.

Senator SIMMONS. You sell to him upon the same principle that you sell to any wholesale dealer who might order that number of machines?

Mr. GEIER. We do not have any wholesale dealers. We have representatives whom we call dealers, and they, of course, get a better price than the consumer gets, 10 per cent in our case, which is given them to pay for their cost of traveling men, office rent, etc.

Senator SIMMONS. A man of that character would be a middleman?

Mr. GEIER. Yes; a manufacturer's agent.

Senator SMOOT. If you did not have that manufacturer's agent, you would have to send a man there from the mill to solicit that trade?

Mr. GEIER. Yes. Now, gentlemen, I would like to have you go with me for a moment to investigate the cost of producing machine tools. The cost of a machine tool is made up, of course, of material and labor. We have taken the trouble to get data from 67 concerns

in answer to certain inquiries, and the figures we have gotten would indicate that the average percentage of material in a machine tool is equal to 27.2 per cent of the cost of that machine.

Senator WILLIAMS. You mean the percentage of cost?

Mr. GEIER. Leaving 62.8 to represent the cost of labor.

Senator HEYBURN. How much?

Mr. GEIER. I mean 72.8 per cent.

The CHAIRMAN. State those two things so the committee and everybody else will know what you say.

Mr. GEIER. The amount of material in the cost of a machine tool is equal to 27.2 per cent; the cost of the labor overhead is equal to 72.8 per cent.

Senator JOHNSON. That is all the expense is it not?

Mr. GEIER. Yes; that is all.

Senator WILLIAMS. That is all the other, except material, is it not? If it is not, you will have over 100 per cent.

Mr. GEIER. No; 27.2 and 72.8.

Senator WILLIAMS. 72.8 represents all the other cost; does it not, except material; all the other items of cost except material?

Mr. GEIER. The cost of labor is the big item, as you will see, in this proposition.

Senator HEYBURN. You have not made that plain, because you have included labor and overhead charges in the same item. I would like to have you separate the overhead charges from labor, so that we will know what the labor really is.

Mr. GEIER. I think we can do that.

Senator WILLIAMS. There are other expenses, insurance, traveling salesmen, and so forth.

Mr. GEIER. We have it separated like this, gentlemen; the labor, 38.3 per cent, and labor overhead, 34.5.

Senator HEYBURN. You mean salaries there?

Mr. GEIER. Oh, no. In every plant you have what we would call direct labor and indirect labor.

The CHAIRMAN. What is the overhead labor?

Mr. GEIER. The overhead labor is 34.5 per cent.

The CHAIRMAN. Of what does it consist?

Mr. GEIER. Overhead manufacturing expenses of all sorts, truckers and laborers and such expenses in the way of purchase of tools that go into the use of the machine.

Senator WILLIAMS. Taxes?

Mr. GEIER. No, sir. This could properly be put into the manufacturing costs.

Senator WILLIAMS. Where do your taxes come in, where does your rent come in, where do your traveling salesmen come in?

Mr. GEIER. Those would come into commercial expenses, the traveling salesmen.

Senator WILLIAMS. Are your expenses to be added to these other two items? If they are you will get over 100 per cent total cost of production.

Mr. GEIER. These figures exactly as we have given them to you, are 100 per cent in this total cost of a machine. We figure 27.2 per cent represents the labor, and 38.3 per cent represents the direct labor and the overhead expense, which includes, of course, indirect labor and some properly chargeable expenses to manufacturing, 34.5 per cent.

Senator WILLIAMS. Those three together make a hundred, do they not?

Mr. GEIER. Those three make a hundred; that is the manufacturing cost. That is the basis on which we sent out our inquiry.

Senator SIMMONS. Is not that the total cost?

Mr. GEIER. No; that is not the total cost. A machine has to be sold; it has to be advertised; it has to be marketed, and the account has to be collected, and a lot of other things come in before we really get the returns. I am trying to show you here in comparison with the European countries the difference in the cost between producing machines here and producing them abroad.

Senator JOHNSON. That is the cost at the factory?

Mr. GEIER. At the factory.

Senator CLARK. What are your overhead charges—what you speak of as overhead charges?

Mr. GEIER. All the nonproductive labor in a plant that you can not specifically charge to a given thing in the manufacture of the article.

Senator CLARK. That is, superintendents?

Mr. GEIER. Superintendents, foremen, timekeepers, truckers, shipping clerks, elevator men, etc.

Senator CLARK. That is exactly what I want to find out.

Mr. GEIER. That is about one-third of the men employed in the plant that you would call nonproductive labor, which goes into the overhead. Then you have, of course, charged in there also the using up of files, emery cloth, cutters, and things of that sort; used up in the production of these machines, which are labor items.

Senator CLARK. What I was trying to get at was this, that the real labor cost was more than 38 per cent.

Mr. GEIER. Exactly.

Senator CLARK. So the real labor cost is not only the 38 per cent but such portions of the overhead charges as go on the salary list aside from the labor?

Mr. GEIER. The actual labor cost, as near as you can figure it, will certainly run, depending on the type of machine you are building, not less than 60 per cent, and it will go up as high as 75 per cent in certain cases.

Senator CLARK. That is exactly what I am trying to get at.

Mr. GEIER. We are giving you here averages which would be low in some cases and in some cases might be a little high.

Senator WILLIAMS. It could not go to 75 per cent, could it, if 27.2 per cent was the material?

Mr. GEIER. In those cases the material would be less. I could find you machines where the labor item would probably be 90 per cent of the cost of the machine. For instance, my own business is somewhat of that last type. In our own case our direct labor is 48.8 per cent, the overhead labor, including such supplies as are properly chargeable to the labor item, 22.8 per cent, and the material figures 28.4 per cent.

Senator HEYBURN. Of course you have not made these figures based upon any particular operation, but upon all these mills as a general aggregate, a composite proposition?

Mr. GEIER. Yes. Please remember, gentlemen, that we only had a very short time to prepare our case. I may say to you that we have

worked diligently and earnestly to get at the facts. We do not want to present anything here that does not bear the closest investigation and scrutiny. We simply want to bring before you a situation that I am sure, after you understand it, you will be full of sympathy for us in our case. We state here now that the material is 27.2 per cent, and we make the claim that the new Underwood bill would not permit us in any way to buy any of our material any cheaper than we are paying for it to-day. Even if we could buy cheaper, the part that material plays in the cost of our product is less, you see, than 28 per cent.

Senator SIMMONS. What is your raw material?

Mr. GEIER. The raw material is pig iron and bar steel. Those are the two basic things.

Senator SIMMONS. The Underwood bill reduces the duty on pig iron, and would not that reduce the price?

Mr. GEIER. That is true; but it does not reduce the price. The Underwood bill reduces the duty, but does not in this instance for us reduce the price.

I have here in my hand a letter from the Iron Age, in answer to an inquiry from us to find out immediately the ruling prices on these basic materials in England and Germany as contrasted to the ruling prices in America to-day that enter into this product, and we have here, for instance, pig iron—

Senator WILLIAMS. Before you give us those, whence did you get those figures?

Mr. GEIER. From the Iron Age, which I think everybody in this country recognizes as an authority on the question of metals and the price of metals.

Senator SIMMONS. How do you know that the reduction made in the Underwood bill, so called, of the duty on pig iron is not going to reduce the price of pig iron?

Mr. GEIER. That is a matter of computation.

Senator WILLIAMS. Did the Iron Age give you the figures for abroad as well as here?

Mr. GEIER. Yes, sir. This table shows this, that the prices in the United States of pig iron would be on the basis of 75 cents per 100 pounds; the price abroad, in Germany, 79.4 cents. Bar steel in the United States would be \$1.40 delivered in New York, as against the German price of \$1.332 delivered in New York. That is a little cheaper, but by the time it would reach the interior that little difference would be wiped out. It is the same as to England. The price of pig iron in the United States is 75 cents, as compared to 76 cents delivered in New York. Bar steel in the United States is \$1.40, as against \$1.65 from England, delivered in New York from England.

Senator CLARK. That is under the proposed bill?

Mr. GEIER. Yes.

Senator McCUMBER. Assuming you would get your pig iron the cheaper in an amount measured by a reduction in the tariff, have you made an estimate as to what percentage that would bear to the selling price of your article? In other words, what percentage the reduction on pig iron would bear in influencing your selling price of your article?

Mr. GEIER. I have not figured it, but I think it would take several decimal points to express the result.

Senator McCUMBER. It is so infinitesimal that you could not take it into consideration at all, scarcely.

Mr. GEIER. Yes.

Senator McCUMBER. And especially you could get no particular benefit upon the mere reduction in the raw material?

Mr. GEIER. No; it would not amount to anything worth while.

Senator CLARK. What was the effect of the statement first made, that the duty is still high on the raw material and lower on your product? What figure would that cut? If the tariff on the raw material makes no difference, what figure would that cut?

Mr. GEIER. It cuts some figure in this sense: For instance, here is an item of ball bearings, which are used very largely in machine tools.

Senator CLARK. I am asking for information; not by way of criticism.

Mr. GEIER. The articles that enter into our product are protected in the Underwood bill all the way from 10 to 25 per cent; whereas the finished article is put on the free list; as stated before, such a thing as ball bearings, which is used very extensively in machine tools, but does not bear a very great per cent in the total cost of the machine tool. The foreigner would get those supplies 25 per cent cheaper than we can, because the rate of duty is 25 per cent in the Underwood bill if brought from abroad. A great many million dollars worth of those ball bearings are coming into this country now.

We have gone into a tabulation of the rates of wages paid by these 67 industries, and have also contrasted them with the information as to the ruling rates abroad on the same classes.

Senator WILLIAMS. Whence did you get those figures?

Mr. GEIER. I will be glad to state. The German wage rates we have obtained from Capt. Carden's reports. Capt. Carden is the Government expert sent out by the United States for two years to study the conditions of the machine-tool industry abroad. On page 16 of the report he gives the wages of the Ludwig Loewe Co.: Lathe hands, 15.8 cents; plane hands, 16.8 cents; milling-machine hands, 17.2 cents; boring mill, 17 cents.

Senator CLARK. What is that, dollars?

Mr. GEIER. Cents per hour. The average is 16.7 cents. That is a machine tool building concern, and therefore is very pertinent to our inquiry. It gives an average of the Reinecker, Schubert & Salzer, Pittler, De Fries, the figures for the latter being: Lathe hands, 15.6 cents; plane hands, 16.8 cents; milling-machine hands, 16.8 cents; boring mill, 16.8 cents; an average of 16.5. They also make machine tools.

Then comes a concern in Saxony, the International Steam Pump Co. We got these figures directly from the company here. They have a plant in that district, and the wages they are paying are, for lathe hands, 15.3 cents; boring mill, 15.6 cents; drill hands, 15.6 cents; or an average of 15.9 cents. Then Mr. Luchars, the editor of Machinery, made a compilation in 1908 of wages in Europe paid to machinists in Munich, Saxony, Berlin, and Magdeburg, and he gives, as the result of his tabulation, 15 cents for the average rate of wages paid to the machine operators.

Senator WILLIAMS. Are those all figures of machine tools?

Mr. GEIER. All but the last one named. But they use the same type of help as we do in the manufacture of our machines.

Senator WILLIAMS. I thought machine toolmakers were a very high type, very skilled laborers.

Mr. GEIER. So it is. If a man operates a boring mill in a pump works, he has to be just as skilled as a man on the same machine in a machine tool shop. That gives us an average of 14½ cents for those classes of labor, skilled labor, machine operators. As opposed to that the reports of our 67 concerns show an average rate of 27.9 cents for machine operators in America.

Senator HEYBURN. Abroad?

Mr. GEIER. No, here.

Senator HEYBURN. Make it plain in the record that you are comparing the domestic with the foreign.

Mr. GEIER. The average abroad for machine operators is 14½ cents; the average here, of our 67 machine tool concerns, is 27.9 cents. We have here vise hands and assemblers, who are men who do not work on machines, but work on vises and fit parts together. We have here on page 18 of Capt. Carden's report, Ludwig, Loewe & Co., of Berlin, machine tool builders, 14.4 cents; De Frees & Co., Dusseldorf, machine tool builders, 16.8 cents. Averaging those two we get 15.6 cents per hour for vise hands and assemblers in Germany. Our rate in this country, gathered in the same way, is averaged at 29.7 cents.

Now we come to the unskilled labor. We have again Carden's report for Ludwig Loewe & Co., Berlin, 10.8 cents; De Frees, Dusseldorf, 9 cents. Then here we have a statement from the consul general at Berlin, A. M. Thackara:

According to a report published by the statistical office of the city of Dusseldorf, which appeared recently in the Imperial Official Journal, the average daily wages paid unskilled adult male laborers during the year 1910 in the following cities, each having a present population of 200,000 or more, as compared with the average wages paid during the year 1893, were as follows:

He begins with Munich. A great many cities are given. So you get a good average. In 1893 the average was 56.9 cents per day, and in 1910 it has risen to 77.4 cents a day.

Senator CLARK. That had not special reference to men employed in your industry; it is general unskilled labor?

Mr. GEIER. Yes, sir. Those are the men we have around the plant for doing the "toting."

Senator CLARK. This table is not made specially with reference to the unskilled labor that is employed in your works?

Mr. GEIER. Oh, no.

Mr. WALTER. There is not any difference between our unskilled labor.

Mr. GEIER. We have difficulty in finding any general data on the rate of wages paid abroad.

Senator CLARK. This table you have just read refers to unskilled labor in all operations?

Mr. GEIER. Yes, sir; the same as we use. In our country we have to get for our own unskilled labor anything we can get.

Senator HEYBURN. Just give the figures of the unskilled labor abroad and here.

Mr. GEIER. The average abroad for unskilled labor is 10.1 cents per hour; the average for unskilled labor in this country is 19.9 cents per hour.

Senator SIMMONS. Does that mean factory labor?

Mr. GEIER. It means unskilled labor that we employ in our factories.

Senator SIMMONS. Unskilled labor employed in all the mills in this country?

Mr. GEIER. No; the 67 concerns represented by these reports. Gentlemen, the first cost does not necessarily mean that that is a real saving in labor. You might have a low prime cost of labor and yet a high cost of production. So we feel we must show to you, or bring facts before you to indicate, that that German labor is also efficient; that it not only costs less, but also has a high efficiency.

Senator HEYBURN. Higher efficiency than our labor?

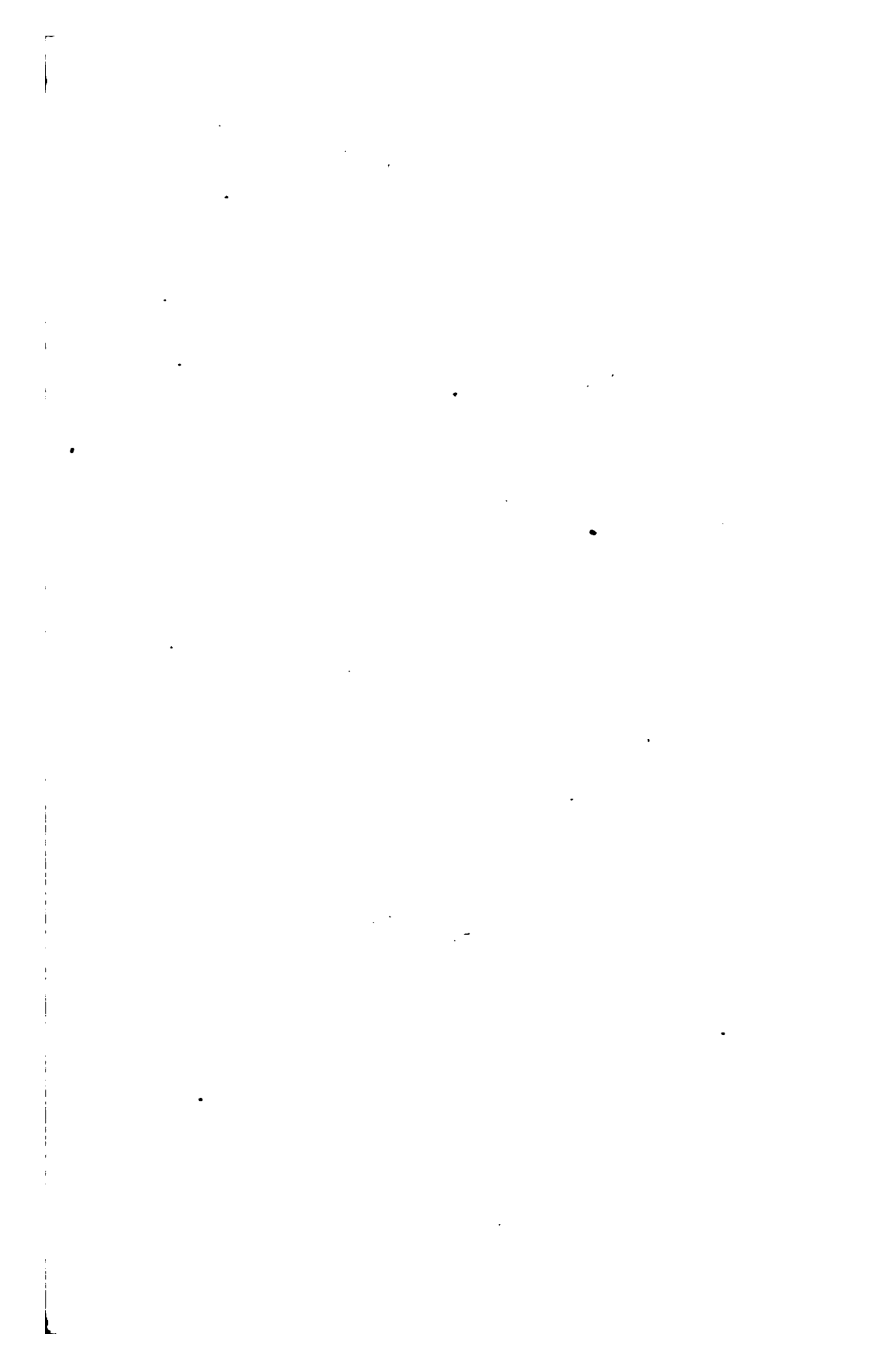
Mr. GEIER. I am not saying that. I am saying that it has efficiency probably equal to that of our own country. I want to submit that Germany, through its scientific system of industrial education, going over the past 25 years, and with the equipment of machinery and organization of its manufacturing processes, is using its labor as efficiently as is possible in this country.

It is admitted by thinking persons in this country that proper and efficient industrial education for our youth is one of the greatest national problems of the day.

Other nations, notably Germany, have pointed out the way we must follow. Gentlemen, I want you to bear with me on this thing, not so much on account of the fact that I am a machine-tool maker, but because I am personally very much interested in this great subject of industrial education, and I hope the time is near when the United States Government will really take hold of this subject, which, to my mind, is one of the great problems of the present day looking forward to the development of our industrial life. The little Kingdom of Prussia, with approximately one-third of the population of the United States and one-thirteenth its area, had 400,000 young people between the ages of 14 and 18 attending schools for industrial training during the year 1908. This is equal to 13½ per cent of the total population. Compare this with the record of the United States Bureau of Education for 1906, which shows that 1½ per cent of our population received vocational school education between the ages of 12 and 22 years, and we have the explanation for the more rapid increase of Prussia in export of manufactured goods, notwithstanding our marvelous growth in population and territory occupied. "The millions in imported manufactured products which would bear the label 'Made in the United States' instead of 'Made in Germany' or 'Made in France' is mute testimony to our inefficiency," is the comment of M. R. Kulchar, a Chicago manufacturer, interested in industrial education. I could give you a great many quotations along those same lines. Prof. Hugo Munsterberg, in the last number of the North American Review, in an article entitled "Germany of To-day," calls attention to the tremendous impetus in the development of industrial life in Germany, which the systematic education and technical education they have over there has given to that country.

The CHAIRMAN. Mr. Geier, I do not suppose you are nearly through, and it will be necessary for us to take an adjournment at 1 o'clock until to-morrow at 10. The members of the committee have to go to the Senate, and before they do they want a little lunch, and this is the time for us to take our adjournment. So we will adjourn the committee until to-morrow at 10 o'clock.

Thereupon, at 1 o'clock p. m., the committee adjourned until to-morrow, February 14, 1912, at 10 o'clock a. m.



DUTIES ON METALS AND MANUFACTURES OF METALS

No. 5

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909**

FIRST PRINT

WEDNESDAY, FEBRUARY 14, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, Chairman.

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

WELDON B. HEYBURN, Idaho.

ROBERT M. LA FOLLETTE, Wisconsin.

JOSEPH W. BAILEY, Texas.

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JOHN SHARP WILLIAMS, Mississippi.

JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, Clerk.

W. B. STEWART, Assistant Clerk.

II

D. OF D.
MAY 6 1912

WEDNESDAY, FEBRUARY 14, 1912.

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), McCumber, Smoot, Gallinger, Heyburn, Simmons, Williams, and Johnson.

The CHAIRMAN. Senator Oliver has a gentleman here who desires to make a brief statement to the committee.

Senator OLIVER. Mr. William Metcalf, jr., of the Braeburn Steel Co., of Braeburn, Pa., desires to make a brief statement. Yesterday Mr. Ramsey was heard by the committee in behalf of the Crucible Steel Co., which is a very large concern, and a combination or consolidation of other concerns. Mr. Metcalf conducts a small business in the same line, which has been in his father's hands and in his own hands for a good many years. He therefore represents a smaller manufacturer in the same line of steel.

STATEMENT OF MR. WILLIAM METCALF, JR., REPRESENTING THE BRAEBURN STEEL CO., OF BRAEBURN, PA.

The CHAIRMAN. Please state your full name, Mr. Metcalf.

Mr. METCALF. William Metcalf, jr.

The CHAIRMAN. Where is your plant located?

Mr. METCALF. Our plant is at Braeburn, which is in the Pittsburgh district, just 23 miles outside of Pittsburgh.

The CHAIRMAN. Do you manufacture aluminum products?

Mr. METCALF. No, sir. Our product is the finer grades of steel, known as tool steel. It is a product into which the element of labor enters very largely, and one that requires the utmost of skill; and it is a product that can not be made rapidly. The mere melting of the raw material in itself must be done slowly and carefully. The heating of the ingots after they are made is exceedingly important, and must be done slowly, or they will be destroyed.

If the Senators will bear with me, I should like to tell my story in a brief way.

The CHAIRMAN. Proceed in your own way.

Mr. METCALF. Then I shall be very glad to answer any questions that may be asked.

Referring to the matter of mill labor, the average wage per day of all of the men in our employ during the year 1911 was \$3.33½. That includes skilled and unskilled labor. The average wage per day of our skilled men, or what we call tonnage men—the rollers, hammer men, and others who work by the ton and employ their own labor—was \$4.01 per day. These figures were taken from our pay-roll books, and are absolutely accurate as far as it is possible to make them.

In order to substantiate our own figures, I called together all of our tonnage men Monday morning, and asked them to state to us what was the average per day among themselves; because we had no means of knowing just what the roller or the hammer man had left to himself, and what he paid his helpers. Their figures ranged all the way from \$40 per day at one of the mills down to \$6 to \$8 per day at the smallest hammer. The total for 39 men was from \$145 to \$150. The average per man was \$3.72 to \$3.85. You will understand that this average given by the men was simply from their own

recollection, after the pay rolls had passed a considerable length of time.

During the year 1911 we had an average of 111 men employed. Of the 111, 56 were skilled men. There were 19 of what we might call intermediate men—that is, not common labor, but of the class of firemen, gas makers, and so on. There were 24 miners. That leaves, for unskilled labor, only 12 out of 111. Or, disregarding the miners—who are not now under our pay, because we have leased the mine—we have only 12 unskilled laborers out of 87.

As to the relative rate of wage paid in this country and in England for the same product, I quote from one of the trade papers of recent issue. I forget which paper it is from:

Mr. Asquith, the secretary of the Board of Trade of England, says that the wages of American workmen are 130 per cent higher than in England, with the cost of living here only 70 per cent higher, giving an advantage to us of 60 per cent.

The rate of wages varies a great deal; and some of the questions put to Mr. Ramsey yesterday were exceedingly difficult for him to answer, largely because of the variation in the rate paid. For instance, in our rolling the rates paid to the roller vary from \$3.10 to \$20 per ton. The melting varies from \$6.64 to \$7.14 per ton. The general labor is \$9.54 per ton. If the material to be rolled has to be first rough rolled, or what we call "cogging," there is another charge of \$2.80 per ton, or a total of from \$22.08 to \$39.44. So you see the difficulty of answering any questions as to how much it costs per ton to produce the material.

There are various groups of prices. We call them only "sizes" here. Two sizes take a rate of \$3.10; 1 size takes a rate of \$3.50; 1 a rate of \$3.65; 14 sizes vary from \$5 to \$6; 9 sizes vary from \$6 to \$7; there are 5 sizes each in the groups from \$7 to \$8, \$8 to \$10, and \$10 to \$15; and 1 size takes \$20 a ton for rolling.

When we speak of these sizes we mean groups of sizes. By referring to our little catalogue, which I carry with me, we find that we have about 400 different sizes. So, again, you can see how difficult it is to tell the exact cost per ton.

As an illustration, I want to call the attention of the committee to the fact that within a week we had one order for a ton of steel which it took our 10-inch-mill crew (a crew of 11 men) over two days to roll. When you consider the great percentage of loss and the accuracy with which this material must be rolled and the very small output, you can see that the rate per ton is very little to the men. They had practically nothing for wages, and, on the other hand, we had very much less than nothing for the material. We should get, at the very least, \$100 a day for the operation of that mill; but, as a matter of fact, for this 1 ton of material that it took us about two days and a quarter to roll we got the magnificent price of 3 cents per pound, or \$60 for the ton.

SENATOR SMOOT. You do not make very much of that particular article, then?

MR. METCALF. We do not make very much of it, but it is stuff that we have to take because it comes along in our line of trade, and it is stuff that we are forced by competition to make. Our English competitors and our German and Belgian and French competitors do the same thing, and we are forced to take it. We do not want it. We should be very glad to get rid of it.

Senator HEYBURN. Pardon me. I was not in when you opened your remarks. What is your commodity?

Mr. METCALF. It is tool steel, made in a crucible—the higher grades of steel.

The cost for hammering varies from \$5.30 to \$23 per ton. The cost for cogging under the hammers (which is the rough hammering, comparing to the rough rolling) varies from \$2.40 to \$13 per ton, or a variation of from \$7.70 to \$26 per ton for hammered steel. The prices, without attempting to give the percentage of each one, run \$5.30, \$5.50, \$6, \$6.30, \$6.80, \$7.50, \$9.10, \$11.50, \$12.90, \$13, \$16, \$18, \$20.50, and \$23.

During the year 1911 the cost of labor in our mill was 50.7 per cent of the entire cost of production. The material charge was 31.8 per cent. This makes a total of 88.2 per cent, leaving only 11.2 for all other expenses.

Senator SMOOT. The distribution of goods, etc.?

Mr. METCALF. The distribution of goods, the warehousing of goods, the salaries of the executive and administrative officers, and superintendence.

Senator HEYBURN. Where is your headquarters?

Mr. METCALF. Pittsburgh is my home. Our plant is located just 23 miles out of Pittsburgh.

Senator SMOOT. Did you include your profits in the cost of labor and in the cost of production?

Mr. METCALF. Our profits last year were a minus quantity by a good many thousand dollars.

Senator HEYBURN. That is, after allowing for interest of your investment?

Mr. METCALF. No, sir.

Senator HEYBURN. You did not allow anything for the interest on your investment?

Mr. METCALF. We allowed nothing for interest on the investment, nothing for a sinking fund—

Senator HEYBURN. And no profits?

Mr. METCALF. Instead of a profit, we ran our plant during the last year at an actual loss. Of course the trade conditions last year were unusual.

Senator HEYBURN. What were those trade conditions?

Mr. METCALF. The lack of business; the lack of the consumption of our commodity.

Senator HEYBURN. To what do you attribute that—stagnation in business generally, or in some special line?

Mr. METCALF. General stagnation in all lines of business. The only active consumers of our product during the last year were the manufacturers of automobiles.

Senator HEYBURN. Is there a stagnation in that business?

Mr. METCALF. No; but it is a very small percentage of the entire business of the country.

Senator HEYBURN. What was the principal item in which there was a stagnation of business?

Mr. METCALF. The building of cars and of railroad equipment.

Senator HEYBURN. What kind of cars? Steel cars?

Mr. METCALF. Iron or steel cars; it does not make any difference. We furnish, not the material of which the cars are made, but the fine steel from which the tools are made that are used in producing them.

Senator HEYBURN. In making the cars?

Mr. METCALF. Yes.

Senator HEYBURN. Are we to understand that there is now a stagnation in the making of cars or the demand for cars?

Mr. METCALF. I do not know anything about the demand for cars; but I know from the operation of the plants that a very large part of the so-called increase in business in the last few months is in the newspapers; that the plants are not operated as some of the newspapers tell us.

Senator HEYBURN. Where do you say it is?

Mr. METCALF. It is in the newspapers; it is "wind."

Senator HEYBURN. Have you estimated the amount of the falling off in the construction of cars?

Mr. METCALF. The construction of cars has increased very materially in the last few months, but it is not yet up to the full capacity by any means.

Senator HEYBURN. It has increased, then, but it has not caught up to the normal?

Mr. METCALF. There is a stagnation in other lines; for instance, in the mining industry. We supply a large volume of steel for the making of mine drills and other equipment.

Senator HEYBURN. Has that fallen off?

Mr. METCALF. That has fallen off. The quarrying industry has fallen off.

Senator HEYBURN. Where has it fallen off? Has it fallen off in the quarrying or in the mining in the large mines of the country? Where has been the chief falling off?

Mr. METCALF. The production of coal is less than it was.

Senator HEYBURN. Then you refer to coal, do you?

Mr. METCALF. I refer to coal. Then, as I said, in addition to that there is the quarrying industry.

Senator HEYBURN. Do you include in that the drills used in mining for metals?

Mr. METCALF. Yes.

Senator HEYBURN. Has that fallen off, too?

Mr. METCALF. Yes.

Senator HEYBURN. And yet in your last year, which was 1911, you say there was a deficit; that you did not get interest on your investment nor any profits?

Mr. METCALF. No profits at all; and there was nothing set aside for a sinking fund.

Senator HEYBURN. How do you rank with other manufacturing institutions of the same kind? Are you one of the larger ones?

Mr. METCALF. No, sir; we are one of the smaller concerns.

Senator HEYBURN. You compete, of course, with the larger concerns?

Mr. METCALF. Our chief competitor in this country is the Crucible Steel Co. of America. They are the largest producers of our line of goods.

Senator HEYBURN. That is bar steel, which is made into drills and things of that kind?

Mr. METCALF. Yes, sir. There are other independent concerns. There is the Columbia Steel Co. and the Colonial and the Carpenter. The Midvale Steel Co. makes tool steel and the Bethlehem Steel Co.

makes tool steel, and there are some three or four others. There are two makers of edged tools who manufacture their own tool steel, so we can disregard them entirely, because they do not influence our market.

Senator HEYBURN. When you say "edged-tool manufacturers" do you include the people that make finished drills?

Mr. METCALF. No. By "edged tools" I mean carpenters' tools—saws, hatchets, razors, cutlery, etc.

Senator HEYBURN. I had in mind the drill steel, and I wanted to know whether you included any of that in that category.

Mr. METCALF. No. That would not affect our business one way or the other, because these two large concerns make their own steel.

Senator McCUMBER. You say you attribute the falling off of your business to general stagnation?

Mr. METCALF. Yes, sir.

Senator McCUMBER. To what do you attribute the general stagnation?

Mr. METCALF. I should hate to say, right here in Washington. [Laughter.]

Senator McCUMBER. If it is due to anything here in Washington, we want to know it.

Senator HEYBURN. I want to get that clear if I can.

Mr. METCALF. Ever since the summer of 1910 we have seen very clearly a very decided dropping off in our business every time something was started in Washington in the line of an investigation.

Senator HEYBURN. Then it is the menace—

Mr. METCALF. It is a menace to business, and there has been a very decided dropping off. From the time the suit was instituted against the United States Steel Corporation I do not believe we had orders for a ton of steel in the next 15 days.

Senator HEYBURN. I am interested there. Is it the menace of prosecution or is it the menace to business conditions?

Mr. METCALF. It is the menace to business conditions. The consumer of our product naturally retrenches in every way possible, and guards and fortifies himself against unusual conditions. Our product is one of the highest-priced things that he has to buy, and it is one of the first that he cuts off.

Senator McCUMBER. What influence has the continual threat of revision of the tariff on your business?

Mr. METCALF. A very disastrous one.

Senator McCUMBER. Why?

Mr. METCALF. I do not want to make any threats, especially to the Senate or to a committee of the Senate, but I want to say that if this bill (the Underwood bill) passes and removes the tariff from crucible steel and should by any possibility be approved by the President and become a law, I should have to go into court and ask for a receiver for our company; and I should immediately do it, to protect the creditors and stockholders. That is not a theory; it is a fact.

Senator HEYBURN. That is what I meant when I asked about its being a menace to business conditions. Of course I referred to the effect of the tariff.

Senator JOHNSON. How many plants in this country produce crucible steel?

Mr. METCALF. I think Mr. Ramsey testified yesterday that his company, the Crucible Steel Co. of America, took in 9 or 10 plants. There are about 8 or 9 in addition to the Crucible Steel Co. of America.

Senator JOHNSON. Is your market entirely in this country?

Mr. METCALF. Almost entirely. I will come to that point a little later on, if you will permit me to continue, and point out the possible reason for the exportation of our product and other steel products, and the reason for selling cheaper abroad than at home.

As to our material and supplies, the basis of all high-class tool is pure iron; and the maker of the best steel is the man who gets the purest iron into his steel. For that purpose we use two kinds of iron; the American-made iron and the Swedish iron. We are obliged to use the Swedish iron on account of the greater purity of that iron over the American iron.

Senator HEYBURN. Will you tell us why that is? We have constantly before us the question of Swedish iron and its superiority. This is a good opportunity to inquire into that. Tell us in what respect the Swedish iron is better than ours.

Mr. METCALF. It is better in this respect: It is lower in phosphorus and sulphur, and it is freer from other impurities that are generally disregarded in the analysis of iron.

Senator HEYBURN. What are they?

Mr. METCALF. An excess of copper would be a dangerous thing. Sulphur and phosphorus are the two elements that are most generally guarded against. Copper is one, and there might be ten or a dozen others.

Senator HEYBURN. Swedish iron has less of those elements in it?

Mr. METCALF. It has less of those elements in it than the American iron. It is more nearly commercially pure iron. The Swedish iron is commercially pure, in fact. It is not absolutely pure, but it is commercially pure.

The CHAIRMAN. Is not commercially pure iron made in this country at all?

Mr. METCALF. Iron made in this country is erratic. There is good iron, and some is very much better than others. I know to-day of only two places that I would trust to put the American iron into our high grades of steel.

Senator HEYBURN. Are those two places large concerns, or large producers?

Mr. METCALF. Yes; they are quite large.

The CHAIRMAN. Senator Oliver suggests that the peculiar ore out of which the Swedish iron is made is what enables them to make it in that way.

Mr. METCALF. Yes; for the reason that we can not get the impurities out of the American iron. There is another reason why we can not get the impurities out of American iron, and that comes right back again to the labor question. That is that you can not make good iron if you hurry it. The only reason we are able to make our heavy iron and steel products cheaply and compete with foreign markets is because of the machinery that we have developed and the fact that we are thus able to produce economically and profitably and cheaply. In the case of iron, you can not make it

fast. I do not care what you have; you can not do it by machinery. Consequently, you have got to put the labor on it.

Senator HEYBURN. Do you class Cuban iron as American iron?

Mr. METCALF. No, sir.

Senator HEYBURN. That is foreign iron?

Mr. METCALF. Yes, sir; that is foreign.

In addition to the iron, we use metals for making our alloy steels, such as tungsten, vanadium, chromium, molybdenum, titanium, aluminum, etc. Of those elements there are two of which we use very little and one that we have practically discarded.

Senator HEYBURN. Do you find any of them in the ore? Pardon me for interrupting you, but we can get at the pith of this thing better by striking these points when they are pertinent. Do you find any of these elements in the ore, or do you add them to it?

Mr. METCALF. We do not deal with ore at all. Our raw material is iron.

Senator HEYBURN. Do you find in the iron any of those elements that you say you have to have?

Mr. METCALF. No. They are so very minute——

Senator HEYBURN. So that you have to add them?

Mr. METCALF. They have to be added.

Senator HEYBURN. They are an added expense to the iron, then.

Mr. METCALF. The item of crucibles is another item of very great expense in the cost of production. Unlike the Crucible Steel Co. of America, we do not make any of our crucibles. We buy them all. The plumbago for the manufacture of these crucibles comes from abroad. The reason we do not make them is because our consumption of crucibles is not large enough to justify our making them. That might account for the apparent difference between Mr. Ramsey's testimony and my own as to the labor cost entering into the production of steel—because they very justly charge the cost of making crucibles to the labor cost of steel. It is very largely a labor item.

Senator HEYBURN. Do you have to buy your crucibles from a competitor?

Mr. METCALF. No; we do not buy them from a competitor. We buy them outside. There are several sources of supply. There are half a dozen good crucible makers in the country, so that we are not bothered in that way.

Our fuel bill is properly chargeable as labor, with the exception of a royalty of 10 cents a ton, for the reason that we own our own mine; or rather the mine belonged to my father's estate and the steel company operated the mine until recently. We operated the mine and paid a royalty of 10 cents a ton to the estate, so that almost our entire fuel bill, say 80 per cent of it, was labor going into the cost of steel. The same thing will apply to any man, whether he is buying his fuel or not. But I am dealing only with fuel, because we directly employ the miners ourselves, or did up until recently, when we made what we consider an advantageous lease of the mine. But the coal that comes out of that mine, which immediately adjoins our mill, is properly chargeable to our labor cost of production. I am speaking now from the viewpoint of labor, because that is the thing that is going to hit us—the keen competition against the foreign labor.

Senator SIMMONS. Pardon me, I was not in when you began your statement. What are you addressing yourself to? What is your product?

Mr. METCALF. Crucible steel, tool steel. I hope the committee will not confound tool steel with tools. We make absolutely no tools at all, except in a very rare instance when some customer may want us to finish some of our product for him and we do it. But that is infinitesimal.

Senator HEYBURN. What do you include in "tool steel"?

Mr. METCALF. There are three old-fashioned standard grades of carbon crucible tool steel. I use the word "crucible" because I want to impress on your minds that this steel is all made in a crucible, a small unit. There are three grades of carbon tool steel, and then we pass beyond that point to the alloy steels, of which we have four standard grades, running by numbers, according to the alloy or foreign metal in them other than steel.

Senator HEYBURN. You mean steel made in crucibles, running about 90 pounds to the crucible?

Mr. METCALF. Yes, sir.

Senator HEYBURN. Such as was referred to here yesterday?

Mr. METCALF. Yes, sir; these four grades are practically modifications of the carbon steel. Then, in addition to that, we make what is known as self-hardening and high-speed steel. That brings us to the point Mr. Ramsey dwelt upon considerably yesterday.

Senator SIMMONS. You do not make the tools? You simply make the material out of which the tools are made?

Mr. METCALF. We simply make the material out of which the tools are made. The word "tool," used in connection with steel, is practically synonymous with "crucible." The custom of the trade is such that if a man orders tool steel, nothing further is said about it. It is taken to mean that he wants crucible steel—steel made in a crucible.

As to the amount of labor that enters into our product, I have given the percentage of 50.7 per cent, excluding our office force. The raw material is of such a nature that when it arrives at our plant the unloading of it is done by hand. If we are going to make good steel, the raw material must all be inspected—and it is all inspected—and that is done by hand.

Senator HEYBURN. By your own men?

Mr. METCALF. By our own men. In addition to that it must be analyzed in our laboratory. There is labor again. After it is put away in the bins in which it is kept the weighing up of the material for the crucible furnace is all hand labor. That material is hauled—I am speaking only about our plant—by a little power dinky into the mill building, and the entire charge is lifted from the dinky up to the melting floor. Then, the material must be packed in the crucibles by hand; otherwise we could not get it in. It must be properly distributed to get the best melting results.

Senator HEYBURN. That is all labor?

Mr. METCALF. That is all labor. After these pots are charged with 100 pounds of steel they are lifted from the floor and dropped into the furnace by hand. When I say "dropped," I do not mean they are let go, either. The man has to straddle the furnace and let them down very gently to avoid breaking the crucible. During the melting

process we have one gas maker for each of our two furnaces—a 24-pot furnace and a 36-pot furnace. We have one gas maker for each of those furnaces.

Senator HEYBURN. You reuse the crucibles? A crucible is not exhausted by one smelting, is it?

Mr. METCALF. No; but it takes very few. They stand very few heats.

After the material is melted the pots are pulled out of the furnace by hand. That is not common, cheap, ordinary labor. It takes a very powerful and a very skillful man to do it. He has got to straddle the furnace, which is practically 3 feet wide, and reach with tongs almost down to the floor level, and get hold of the pot and pull it up; and he has got to get his tongs away up as high as his head to clear the floor, and then the crucible is swung aside. That is entirely hand labor. The skimming of any impurities off the top of the steel and the pouring are also hand labor.

Senator HEYBURN. That is the slag?

Mr. METCALF. The slag; yes, sir. The repairing of the pots is hand labor. After every heat these pots must be cleaned and daubed up and thoroughly inspected and repaired, and that is all hand labor.

Senator HEYBURN. How much loss is the slag? How much slag is there in a crucible of steel?

Mr. METCALF. Very little. We get almost 100 pounds of steel out of a 100-pound charge.

After the ingots are taken from the furnace, after they are poured, they are shaken down by hand. In other words, the molds are taken apart and the ingots are taken out by hand. They are assorted, and they are then inspected. They are taken to an inspecting floor, and there they are very carefully inspected for imperfections in the casting of them, and inspected to determine the temper of the steel, as we call it. By "temper" I mean the hardness or the softness of it.

Senator HEYBURN. If it falls below your standard, do you have to resubject it to the crucible, or do you just count it according to what it is worth? When you inspect the ingots and find them below the standard, do you have to resubject them to the crucible?

Mr. METCALF. No; we only do that for imperfect melting or pouring.

Senator HEYBURN. That is what I meant.

Mr. METCALF. We have to scrap them, then, and melt them up, and they have to be used afterwards in small proportions.

Senator HEYBURN. That doubles the labor on them?

Mr. METCALF. That doubles the labor. It does not make any particular difference what carbon content the steel has after it is cast, because we can not get too low a carbon content in crucible steel. The tendency always is to get it too high.

Senator HEYBURN. I am merely trying to follow the labor items through.

Mr. METCALF. Yes. Then, after these ingots are inspected, they are assorted and marked and piled. That is largely hand labor, with the assistance of the crane.

When the orders are issued to the mill men for the material to be rolled, the ingots are taken to the furnace by crane; but the heating and charging and rolling over and the pulling out of the ingots from the furnace is all done by hand. We can not dump our crucible

ingots into a furnace helter-skelter and trust to their heating evenly. They must be very carefully laid in the bottom of the furnace, in even rows, in order that we may get the same temperature all through the furnace.

After that is done, it is not a question merely of shutting the furnace door and waiting until the furnace gets hot. Our heater has to be continually opening the door; and if there is one ingot that is not getting its proper amount of heat, that is not heating fast enough or is heating too fast, we have to turn it over and put it in some other part of the furnace.

Senator HEYBURN. That is skilled labor?

Mr. METCALF. That is skilled labor.

We must have a man who knows accurately the temperature of the steel from the color in the furnace. Then, when it is up to the proper temperature, the heater and the roller between them decide when they are ready to roll, and they go ahead with the rolling operation. The ingots are taken out of the furnace by hand labor, and the man who takes them out swings them onto a little trolley that he pushes by hand—it is not a power trolley—and pushes them to the mill.

While it was perfectly proper to say yesterday that the rolling of the ingots is done by machinery, yet there is a very large element of hand labor that enters into it. For instance, in such a mill as ours they change the rolls and the size and shape of the product very frequently; so that in addition to heating his ingots properly, the roller must heat test pieces in the furnace, and run them through and try them out, and carefully gauge them, to be sure that his mill is properly lined, and that his guides are properly set, and that after the rolling is done he is going to get just what his order calls for. That takes considerable time, and is properly chargeable to hand labor.

Senator GALLINGER. Were you accurate in saying that the ingots are taken from the furnace by hand labor?

Mr. METCALF. Yes, sir.

Senator GALLINGER. Absolutely so?

Mr. METCALF. Absolutely by hand labor.

Senator GALLINGER. There is no machinery at all used in that?

Mr. METCALF. No machinery at all.

Senator GALLINGER. That is different from some other operations in steel mills, is it not?

Mr. METCALF. It is quite a different proposition from what is done in a tonnage mill. We have nothing to do with that. We can not do it. We would not attempt to. We would starve to death if we tried it.

Senator HEYBURN. If that skilled labor is thrown out of employment, it must seek a lower grade of employment, must it not? Those men must go into the general field of unskilled labor, I suppose. If this business of yours is closed down by tariff or any other conditions, the skilled laborers will either be out of a job and lie idle or they will be reduced to a lower class of labor. Is that true?

Mr. METCALF. Yes, sir. The shearing of the product after it is rolled, the mere cutting of it, is done by machinery; but there is a great deal of hand labor, such as dragging it over the floors to the shears, and so on.

The CHAIRMAN. Was most of this product imported prior to the passage of the Payne bill?

Mr. METCALF. No; the proportion of steel imported prior to the passage of the Payne bill was very much greater than it is at the present time.

The CHAIRMAN. The Payne bill provided particularly for this high-speed steel; did it not?

Mr. METCALF. I should not say "the Payne bill;" I should say "the general tariff." The Payne bill, I believe, provided particularly for high-speed steel.

The CHAIRMAN. Yes.

Mr. METCALF. Until that time a very large proportion of the high-speed steel used in this country was made abroad; and they were the first to produce it successfully. Mr. Ramsey testified yesterday that the introduction of high-speed steel came along about the year 1900. In our own business, we attempted to make high-speed steel about 1902 or 1903, I think. I was not connected with the company at the time. The results were not satisfactory, and it was abandoned. We took it up two years ago, and we have been making high-speed steel very successfully since.

Senator HEYBURN. Because of the tariff?

Mr. METCALF. Because of the tariff.

After our material leaves the mills, it goes to the warehouse by labor and power—possibly you might say entirely by power. In the warehouse the inspecting, the grading, the cutting out of the bad parts, the stamping, the labeling, the marketing, and the shipping are all hand labor—every bit of them.

The annealing is the heaviest kind of hand labor; that is, the putting in and taking out of the annealing furnace. It is dirty, it is heavy, and it is hot. It is one of the meanest jobs about a mill.

Senator HEYBURN. Is that skilled labor?

Mr. METCALF. That is what we class as the intermediate labor; but we have to have a salaried man supervising it all the time. We can hardly get what is called skilled labor to do that class of work.

Yesterday it was said that the hammering was done by power. I do not want you gentlemen to get confused on the question of hammering being done by power. While it is true that the actual blow is struck by a power hammer, there is a great deal of very heavy work put on the men who are handling the stuff. They handle it by hand; they hold it on the die by hand. There is nothing to help them; they must do it by hand. It is all a question of eye and touch. Those men must gauge the size by the eye, and they hammer it down to sizes as small as three-eighths of an inch in diameter—three-eighths of an inch square, three-eighths octagon and hexagon, and so on.

Senator HEYBURN. By the eye?

Mr. METCALF. By the eye. It must be done entirely by the eye. Not only that, but the hammerman must know the exact temperature at which he can handle the steel, and he must be familiar with every grade and temper of steel that we have, because there is a very great difference in the temperatures at which it can be handled.

So, while the actual blow is struck by power, it is altogether wrong to say that the steel is made by machinery, because it is not. You could start the hammer running and ignore the man, and the first thing you would do would be to burst the steel and break your ham-

mer. You would not last 10 seconds. You would ruin the steel and break your hammer.

The roll turning is a very high class of skilled labor. The roll turner must know the exact size to make his grooves, and he has to make allowance for shrinkage in the material during the process of rolling. In other words, he has to figure the difference in diameter between a hot bar and a cold bar, and he has to cut the grooves in the rolls according to that.

Senator HEYBURN. That is a high grade of skilled labor?

Mr. METCALF. Yes, sir.

In addition to that, we have one other item there—that of changing the rolls and guides. One of the reasons we had a deficit last year was that we can not manufacture to the best advantage unless we can run practically full. As I say with the three or four hundred different sizes and grades and tempers to deal with, we have to change our rolls very frequently. That is all hand labor except the mere lifting of the roll from the mill with a crane. That is done by power. All the adjusting and setting of the rolls and the lining up of the mill and the setting of the guides to produce the material properly is hand labor.

The chief items that enter into the element of competition are materials and labor. The labor we can class as direct and indirect. By indirect labor I mean such labor as that of the coal miners and the makers of crucibles. The direct labor which is necessary to the operation of our plant we can divide into productive labor (which is skilled and unskilled labor), and the unproductive (both skilled and unskilled)—the selling force, the office and executive and administrative forces, and so on.

There is another item that enters into this question, and it is one that is forced on us by European competition. That is the item of stocks that we must carry in various parts of the country. I know of two cases where an English manufacturer of tool steel sends material over here by the carload, and puts it in the customer's warehouse, and the customer pays for it when he tells the producer that he has used it.

Senator HEYBURN. Do you do that, too?

Mr. METCALF. No, we do not; but we have to strike a medium ground. We have to carry a considerable stock of steel at our mill warehouse, and then we have one in Chicago, one in Chattanooga in the hands of a jobber, one in San Francisco in the hands of a jobber, one in Philadelphia, and one in Hartford in the hands of jobbers, and we should have several other stocks in the country. The cost of keeping in the warehouse our stocks that we are directly responsible for and that we handle directly ourselves—the Bræburn stock and the stock in our Chicago warehouse, which we operate ourselves—is \$5.16 per ton.

Senator HEYBURN. That is dead capital?

Mr. METCALF. That is dead capital, and that is forced on us by European competition.

As an evidence of that, take the case of the larger concerns, the ones that are strictly tonnage propositions, Jones & Laughlin, the United States Steel Corporation, and so on; they are building enormous warehouses in different parts of the country. The United States Steel Corporation recently built an enormous warehouse in Pittsburgh just to take care of that sort of thing.

Senator HEYBURN. Are they enabled to control prices by having this stock on hand?

Mr. METCALF. No; but it enables them to hold their market, by being able to give a man what he wants in whatever quantity he may want it. The necessity for carrying stocks is this: If we do not do it, and we get an order for a small amount of some of our steel, we must operate our mill or hammer, or whatever it may be, in order to get out that one little bit of steel. I have in mind one instance during the last year where we got an order from one of our big customers who wanted a small piece of steel, and wanted it in a hurry; and it was an unusual size and grade for him to order. It was the case of one of the railroad companies. The railroad company sent in the order for the steel. The bill for the steel was 56 cents, and our transportation charges on the steel were 29 cents. You can see where we come in. If we do not have the stocks from which we can make prompt shipment, if we have to run our mill to make 56 cents worth of steel, see where we are. We have to carry a stock; and when there are 400 different sizes and grades and tempers that we must carry, you can realize that our stock must be a pretty fair one.

Senator HEYBURN. You say that expense represents about \$5 a ton?

Mr. METCALF. It figured out exactly, in the year 1911, \$5.16 per ton.

I do not know whether it is proper to enter into the question of selling below cost, or of selling at cost, or whether you gentlemen want to hear about that.

Senator HEYBURN. We should like to hear your statement on that subject.

Mr. METCALF. The question has been raised a number of times why the Crucible Steel Co. could send steel to England or why the United States Steel Corporation could sell cheaper abroad than at home. That is best answered by my telling what we have to do in our own business in order to hold our trade. There is one grade of steel which we do not want to make, in which there is a considerable tonnage, the bulk of the tonnage; and yet we must make it in order to keep these skilled men together so that we can get out our finer grades of steel. The net loss on that grade of steel last year was between \$10 and \$11 per ton. That is our reason for selling below cost—to keep up our organization. It seems to me it is altogether right and rational to suppose that the other man is selling below cost sometimes for the very same reason. We must keep these men together. We can not pick them up in a hurry.

Senator McCUMBER. What the average American can not understand is why, when you have to sell an article below cost in order to keep your men at work, you must always sell it abroad, and never sell it for home consumption for less than cost. If you can explain that, and make it so clear that it will be satisfactory to the average American, I think you will have done something that has not yet been done.

Mr. METCALF. I can answer your question by saying that we have not sold a pound of material abroad in the last five years. All of our material that was sold below cost was sold in this country. Possibly the reason for the other people selling abroad below cost is that

at the moment some fellow abroad wants that steel, and wants it in a hurry, and wants a big tonnage.

Senator HEYBURN. Do they not carry these surplus stocks abroad, too?

Mr. METCALF. I do not know about that.

Senator McCUMBER. Does it not sometimes happen that somebody in this country wants something, and wants it in a hurry, and wants it of a good tonnage?

Mr. METCALF. Possibly; but there are not enough of those cases to take care of the demand, or the material that goes abroad may go into the hands of a speculator in that material. There are people in this country who are doing the very same thing; who are speculating in material. In our own plant we buy some raw material that we have to be very careful about; and we have a contract for it and we buy a good many thousand tons in a year.

Senator HEYBURN. The surplus stocks that are carried by the importer, made by the foreign manufacturer, are also for quick delivery, I suppose, are they, in competition with you?

Mr. METCALF. Yes; for quick delivery in small lots. That is what necessitates carrying these stocks—the fact that a man wants quick delivery of a small lot and we can not operate any one machine to get out that order for him.

Senator McCUMBER. I confess that I have not gotten a satisfactory explanation of this matter from you, nor did I get a satisfactory explanation from Mr. Schwab when I asked him the same question. He rather put it off with the statement that he would have to go out of business if this bill were passed; that he sold to the American trade in large job lots at less than cost, the same as he was willing to sell to the foreign trade.

I should like to have some of those who are selling abroad for less than they are selling to the American trade give an explanation that the average American citizen can understand and that will satisfy him.

Mr. METCALF. I can not answer that question, because we do not sell abroad; but I am giving you our reasons for sometimes selling below cost. I do not know whether the other man sells abroad because he can find a quicker, readier market for that material or what his reason is for going abroad. But our plant is a small one, and we can find a market in this country.

Senator McCUMBER. The general idea seems to be that if you sold for less than your regular market quotations in this country you would do one of two things: You would either bring on a competitive and disastrous war of competition between the parties or else you would be glutting your market and fixing prices that you could not substantiate afterwards. That is the only explanation I have heard.

Mr. METCALF. As to glutting the market in our product, I may say that we sell some material below cost by reason of the workmanship that we put on it, and, although we are selling below cost, we are selling at a cent a pound or more higher than the tonnage man is; so there is not much danger of our glutting the market.

Senator McCUMBER. What we can not understand is this: If somebody should give you an order for, say, \$10,000 worth of your product, if there were two orders, you would charge the foreigner one price and you would charge the American another price?

Mr. METCALF. No; we would not.

Senator McCUMBER. Why can you not sell just as cheaply to the American as you can to the foreigner?

Mr. METCALF. We have no foreign customers. I can not answer that question. We have no foreign trade. We do not want any foreign trade.

Senator McCUMBER. I heard your answer a short time ago about selling abroad cheaper than selling at home.

Mr. METCALF. I gave that as a possible reason. It was simply a question of getting rid of the surplus material, reducing an overabundance of stock into cash, possibly keeping down fixed expenses in that way, and enabling the manufacturer to keep up his organization. That is the reason we sell below cost in this country, and I say that is a possible reason for their selling below cost abroad. I do not know that they do sell below cost.

Senator GALLINGER. You do sell below cost in this country at times, do you?

Mr. METCALF. Yes, sir.

Senator GALLINGER. That is in order to keep your plant running?

Mr. METCALF. That is in order to keep our plant running, and to keep these good men together. It takes years to build up such an organization of skilled men as we have.

Senator GALLINGER. But if you had a surplus, and you had a customer here and a customer abroad, it would be good business judgment, would it not, to sell that surplus abroad rather than in this country? You would be less likely to break the American market?

Mr. METCALF. I should think so.

Senator GALLINGER. Just the same as a foreigner would very much prefer to sell at a lower price in this country than to sell to his own customers at home. To make a practical application of it, I apprehend that if Senator McCumber or the people of North Dakota had a surplus of wheat, and there was a demand abroad and a demand here, they would be more likely to sell that surplus abroad than to sell it here at a loss, so that it would not affect the American market?

Senator McCUMBER. Unhappily, the other fellow fixes the price, and not we.

Senator GALLINGER. He does in wheat, perhaps.

Mr. METCALF. There is one thing that occurs to me, brought out by the Senator's remark as to that being the reason for the foreign manufacturer selling in this country below cost. I want to state to you that the foreign manufacturer of tool steel sells in this country because he was here first. He was here in the beginning. Years ago there was no tool steel made in this country; and it took years of very painstaking skill and industry to build up the tool-steel business in this country.

There is a brand of English steel that is sold to-day all through New England, which is one of the biggest tool-steel consuming districts of the country—a steel that was popular and well known there 25 or 30 years ago, and was established in this country before the American makers got to making steel. That steel is to-day selling on its reputation. They have kept up the quality. The men have become accustomed to using it. We must sell persistently. We must bide our time until there is an opening in a plant where that steel or some other steel is used, and we can get in because

the tool-steel user is dissatisfied with his material or with his deliveries or for some other reason. The question of price alone will not bring the business.

I have in mind a case in New England where we offered our steel, the equivalent of one of the Crucible Steel Co.'s brands, at 2 cents a pound less than the Crucible Steel Co. was selling for. I was met with the reply: "Well, Mr. Metcalf, I have been using this same grade of Crucible Steel Co.'s product for 24 years. I make tools out of it, and I send those tools all over the world. Your steel may be just as good or better than that grade of steel; but I know what it is, and my men know how to work it. We have an international reputation for our product, and we can not take a chance on substituting your steel."

That is the kind of selling we have to do. We have to go persistently after a market. We can not overlook that man. We must go to him all the time, until there is an opportunity to get into his plant. The same thing applies in other parts of the country. Where a man takes our product and makes it into a tool that he sells broadcast, he must be sure of the quality; and it takes years to get established with a customer. Once you are established, it is just as hard for the other fellow to get you out.

The American steels are becoming more firmly established in this country every day. There is one brand of high-speed steel, an English high-speed steel, that gave better results than any American high-speed steel for several years. But now, in competition, we find that steel, and one of the brands made by the Crucible Steel Co. and another brand made by an independent concern, the hardest to compete against.

In other words, by reason of having been protected by the tariff, our American manufacturers are making better steel than the English people are making, and we are gradually getting that trade for this country. The only way we can get it is by keeping up the tariff until such time as we can demonstrate that our steel is the equal or the superior of the English steel.

Further, as to the Europeans selling in this country at less than cost, I found this English grade of steel on sale in one street in Philadelphia, and within four blocks I found prices ranging from 48 cents a pound to \$1.25 a pound for the identically same steel, size and everything else.

Senator HEYBURN. They carry a stock of it?

Mr. METCALF. They carry several stocks of it in this country, so that they do not sell below cost in all cases.

Senator McCUMBER. Have you estimated the quantity of steel that is carried by the foreign manufacturer in this country at these various points?

Mr. METCALF. I have no means of knowing that, but we can get accurately the amount of steel made by foreigners and sold in this country. Taking the high-speed steel, which is the popular steel now and is the steel that has revolutionized the making of practically all machinery and very many other products, over a fourth of it is brought from abroad. That proportion is decreasing all the time. Several years ago it was about a third. We are working that steel out. We are only working it out by reason of being protected, however.

Senator HEYBURN. Your sharpest competition would be with the stock on hand that the foreigner carries in this country, because he can deliver as quickly as you can if he has a stock on hand in this country?

Mr. METCALF. Yes; and that necessitates the expenditure of \$5.16 a ton on our part.

Senator HEYBURN. That makes it desirable to have some estimate of the quantity that is carried in stock in this country by the foreign manufacturer.

Mr. METCALF. It is very hard to find that, because they will come over here and make a specially low price to a jobber. For instance, they will figure their cost of selling at so much per pound, and they will charge that all off and give the jobber a low price, and he carries that steel in stock. You will find the imported steels, the ones that are selling more aggressively in this country, in stock in every large trade center. You will find that kind of steel in stock in some one large supply or hardware store. While they do not actually carry it themselves, they have sold it at a very materially reduced price.

Senator HEYBURN. To be paid for when sold?

Mr. METCALF. No; it is sold outright, but at a reduced cost, so that the man who carries it is paid for carrying it and retailing it.

Senator HEYBURN. You do not mean to say that all of the surplus stock of the foreign manufacturer carried in this country has been paid for, do you?

Mr. METCALF. No; I know positively that it has not. That is, I know it as positively as you can know such a thing. I know it from our customers telling us that they can get the English steel put into their warehouse and pay for it when they get ready.

Senator HEYBURN. That is what I had in mind in asking you the question.

Mr. METCALF. It is virtually that—"pay for it when it is used."

Senator HEYBURN. That is your sharpest competition?

Mr. METCALF. No; the sharpest competition is on quality, but that enters into it. I am speaking of the high quality.

Senator HEYBURN. I meant competition in the supply.

Mr. METCALF. Yes.

In conclusion, I want to ask you to please bear in mind the question of the small unit. It is the 100-pound unit. It can not be any larger. It must be done by labor. There is no machinery devised for making it. Some people say they have the loss on this material down as low as 9 per cent of the ingot before it goes to the mills. Our loss is about 14 per cent. Then, after it is finished and inspected in the warehouse, the part that is cut off increases that to about 25 per cent. That is about the average loss in the case of tool steel—about 25 per cent. We have some grades in which the loss is almost invariably 50 per cent or more. That stuff all has to be worked over.

Senator HEYBURN. It is not all imported to this country in ingots, or items of 90 pounds? It is imported in bars?

Mr. METCALF. In bars. It is imported and manufactured.

Senator HEYBURN. So that all of this question of handling is disposed of abroad, so far as the imported product is concerned.

Mr. METCALF. There is one other thing I should like to say in connection with the manufacture of some of the very highest grades of our alloy steels. I want to call your attention to the fact that

while I gave you the labor cost per ton, the cost of the actual rolling or hammering, as the case might be, some of that material has to be worked four or five times before it is completed. So that you can multiply these costs by four or five.

Senator SMOOT. Can you tell me offhand what paragraphs in the Underwood bill you are interested in, starting first with paragraph 8?

Mr. METCALF. I am not familiar with the provisions of the bill. If you will refer to Mr. Ramsey's testimony, I will state that we are in identically the same business. We have possibly a little larger labor cost.

Senator HEYBURN. There seems to be a question as to whether this labor is paid for abroad or here, so far as the manufacturer of the foreign article is concerned. The wage item in the case of the imported article is paid abroad?

Mr. METCALF. Yes, sir.

Senator HEYBURN. All of the wages?

Mr. METCALF. All of the wages of the imported article are paid abroad.

Senator HEYBURN. It does not benefit American labor at all, in any way?

Mr. METCALF. No, sir.

Senator HEYBURN. There is no labor item in it after it is imported?

Mr. METCALF. No, sir.

The CHAIRMAN. That is all, I believe.

Mr. Frederick A. Geier.

STATEMENT OF MR. FREDERICK A. GEIER—Continued.

The CHAIRMAN. Mr. Geier represents a very large number of tool manufacturers contained in this list here, which I will have inserted in the record. There are 100 or more manufacturers.

The list above referred to is as follows:

List of American machine-tool manufacturers.

Name and article manufactured.	Location.
OHIO.	
Carrol & Jamieson Machine Tool Co., drilling machines.....	Batavia.
Acme Machine Tool Co., hand screw machines.....	Cincinnati.
American Tool Works, radial drilling machines.....	Do.
Bradford Machine Tool Co., cone-drive turning machines.....	Do.
Champion Tool Works Co., cone-drive turning machines.....	Do.
Cincinnati Bickford Tool Co., drilling machines.....	Do.
Cincinnati Gear Cutting Machine Co., gear cutters.....	Do.
Cincinnati Grinder Co., grinders.....	Do.
Cincinnati Lathe & Tool Co., lathes.....	Do.
Cincinnati Milling Machine Co., milling machines.....	Do.
Cincinnati Planer Co., planers.....	Do.
Cincinnati Pulley Machinery Co., pulley turning machines.....	Do.
Cincinnati Shaper Co. (see C. G. C. M. Co.), shapers.....	Do.
Drees Machine Tool Co., drills.....	Do.
Fordick Machine Tool Co., drills.....	Do.
Wm. E. Gang Co., drills.....	Do.
Gray Planer Co., planers.....	Do.
Greaves, Klusman Co., lathes.....	Do.
Hilbert Machine Co., drilling machines.....	Do.
Hisey Wolf Machine Co., drilling machines.....	Do.
King Machine Tool Co., boring mills.....	Do.
R. K. Le Blond Machine Tool Co., lathes and milling machines.....	Do.
Lodge & Shipley Machine Tool Co., lathes.....	Do.
Muehler Machine Tool Co., drilling machines.....	Do.
Oesterlein Machine Co., milling machines.....	Do.
Queen City Machine Tool Co., shapers.....	Do.

List of American machine-tool manufacturers—Continued.

Name and article manufactured.	Location.
OHIO—continued.	
Queen City Shaper Co. (see Q. C. M. T. Co.), shapers.....	Cincinnati.
Schumacher & Boye, lathes.....	Do.
Sebastian Lathe Co., lathes.....	Do.
Smith & Mills Co., shapers.....	Do.
John Steptoe Shaper Co., shapers.....	Do.
United States Electrical Tool Co., drilling machines.....	Do.
Von Wych Machine Tool Co., lathes.....	Do.
Willard Machine & Tool Co., lathes.....	Do.
Bardons & Oliver, lathes.....	Cleveland.
Cleveland Automatic Machine Co., screw machines.....	Do.
Cleveland Machine Tool Works, boring machines.....	Do.
Cleveland Planer Works, planers.....	Do.
Cleveland Punch & Shear Works Co., punches and shears.....	Do.
Foots-Burt Co., drilling machines.....	Do.
Leas Bradner Co., gear cutters.....	Do.
Leaw Manufacturing Co., pipe machines.....	Do.
Lucas Machine Tool Co., boring machines.....	Do.
National Acme Manufacturing Co., screw machines.....	Do.
Warner & Swasey Co., turret lathes.....	Do.
Miami Valley Machine Co., drilling machines.....	Dayton.
Hamilton Machine Tool Co., lathes.....	Hamilton.
Kern Machine Tool Co., drilling machines.....	Do.
Long & Alstatter, punches and shears.....	Do.
Ohio Machine Tool Co., planers and shapers.....	Kenton.
Mamillon Foundry & Machine Co., punches and shears.....	Massillon.
Owen Machine Tool Co., milling machines.....	Springfield.
Springfield Machine Tool Co., lathes.....	Do.
Baker Bros., drilling machines.....	Toledo.
R. A. Kelly Co., shapers.....	Xenia.
National Machinery Co., punches and shears.....	Tiffin.
Merrill Manufacturing Co., pipe machines.....	Toledo.
Knecht Planer Co., planers.....	Cincinnati.
MASSACHUSETTS.	
Chandler Planer Co., planers.....	Ayer.
Chas. G. Allen Co., drilling machines.....	Barre.
American Tool & Machine Co., screw machines.....	Boston.
Edwin E. Bartlett, presses.....	Do.
Beaudry & Co. (Inc.) hammers.....	Do.
Rivett Lathe Manufacturing Co., lathes.....	Brighton.
Blanchard Machine Co., grinding machines.....	Cambridge.
J. G. Blount Co., grinding machines.....	Everett.
Beth Grinder Co. (Inc.), grinding machines.....	Fitchburg.
Powell Machine Co., planers.....	Do.
Putnam Machine Co., planers.....	Do.
Fitchburg Machine Works, lathes.....	Do.
Greenfield Machine Co., grinding machines.....	Greenfield.
F. E. Wells & Son Co., grinding machines.....	Do.
Lapointe Machine Tool Co., broaching machines.....	Hudson.
Universal Boring Machine Co., boring machines.....	Do.
Sealer Milling Machine Co., milling machines.....	Hyde Park.
J. A. Stowell Co.....	Leominster.
J. N. Lapointe Co., broaching machines.....	Marlboro.
Davenport Machine Tool Co., screw machines.....	New Bedford.
Mame Twist Drill & Machine Co., grinding machines.....	Do.
Harbutt & Rogers Machine Co., culling-off machines.....	South Sudbury.
B. C. Ames Co., lathes.....	Waltham.
Stark Tool Co., lathes.....	Do.
Waltham Machine Works, lathes.....	Do.
Bench Machine Tool Co., drilling machines.....	Springfield.
Waltham Watch Tool Co., lathes.....	Do.
Reald Machine Co., grinding machines.....	Worcester.
W. H. Leland & Co., drilling machines.....	Do.
Norton Grinding Co., grinding machines.....	Do.
Practice Bros. Co., lathes and drilling machines.....	Do.
F. E. Reed Co., lathes.....	Do.
Francis Reed Co., drilling machines.....	Do.
Robbins Machine Co., lathes.....	Do.
J. E. Snyder & Son, drilling machines.....	Do.
Stockbridge Machine Co., shapers.....	Do.
Walker Grinder Co., grinding machines.....	Do.
Whitcomb-Bissel Machine Tool Co., planers.....	Do.
Woodward & Powell Planer Co., planers.....	Do.
Wells Bros. Co., bolt cutters.....	Greenfield.
NEW YORK.	
E. W. Bliss Co., presses.....	Brooklyn.
Buffalo Forge Co., shears.....	Buffalo.
Buffalo Foundry & Machine Co., steam hammers.....	Do.
Frederic Iron Works, drilling machines.....	Do.

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List of American machine-tool manufacturers—Continued.

Name and article manufactured.	Location.
NEW YORK—continued.	
Highley Machine Co., metal-sawing machines.....	Croton Falls.
William Gardam & Sons Co. (Inc.), drilling machines.....	New York.
Garrin Machine Co.....	Do.
Garvin Machine Co., milling machines.....	Do.
Lea Equipment Co., shapers.....	Do.
J. J. McCabe, lathes.....	Do.
Niles-Beament-Pond, lathes, planers, and boring mills.....	Do.
Stover Foundry & Machine Co., pipe machines.....	Do.
Watson Stillman & Co., forcing presses.....	Do.
Bridgeford Machine Tool Co., lathes.....	Rochester.
Cochrane-Bly Co., metal sawing machines.....	Do.
W. P. Davis Machine Co., lathes.....	Do.
Gleason Works, gear cutters.....	Do.
Rochester Boring Machine Co., boring machines.....	Do.
W. A. Wilson Machine Co., planers.....	Do.
Seneca Falls Manufacturing Co., lathes.....	Seneca Falls.
C. C. Bradley & Son, power hammers.....	Syracuse.
D. Saunders Co., pipe machines.....	Yonkers.
Niagara Machine & Tool Co., presses.....	Buffalo.
CONNECTICUT.	
Automatic Machine Co., lathes.....	Bridgeport.
Blaird Machine Co.....	Do.
Bullard Machine Tool Co., boring mills.....	Do.
Curtis & Curtis Co., pipe machines.....	Do.
Grant Manufacturing & Machine Co., ball-making machines.....	Do.
Standard Manufacturing Co.....	Do.
Dwight Slate Machine Co., drilling machines.....	Hartford.
Henry & Wright Manufacturing Co., drilling machines.....	Do.
National Machine Co., drilling machines.....	Do.
A. E. Quint, drilling machines.....	Do.
Taylor & Fenn Co., drilling machines.....	Do.
Universal Machine Screw Co., screw machines.....	Do.
Whitney Manufacturing Co., milling machines.....	Do.
Carlyale, Johnson Machine Co.....	Manchester.
New Britain Machine Co., turret lathes.....	New Britain.
Geometric Tool Co., grinders.....	New Haven.
New Haven Manufacturing Co., lathes.....	Do.
D. E. Whitton Machine Co., gear cutters.....	New London.
Hendey Machine Co., lathes, milling machines, and shapers.....	Torrington.
Blake & Johnson Co.....	Waterbury.
Rowbottom Machine Co.....	Do.
Carter & Hakes Machine Co., milling machines.....	Winsted.
PENNSYLVANIA.	
Chambersburg Engineering Co., hammers.....	Chambersburg.
Standard Engineering Co., pipe machines.....	Ellwood City.
Modern Tool Co., grinders.....	Erie.
Colburn Machine Tool Co., boring mills.....	Franklin.
The Dill Slotter People, slotters.....	Kensington, Philadel- phia.
Dienalt & Eisenhardt, hammers.....	Philadelphia.
T. C. Dill Machine Co. (Inc.), slotting machines.....	Do.
Fay Machine Tool Co., lathes.....	Do.
Edwin Harrington, Son & Co. (Inc.), lathes.....	Do.
Espen-Lucas Machine orks.....	Do.
I. H. Johnson, jr., Co. (Inc.), lathes.....	Do.
Wm. Sellers & Co. (Inc.), lathes, planers, boring mills.....	Do.
Nazel Engineering Works.....	Do.
Newton Machine Tool Works (Inc.), metal sawing machines.....	Do.
H. B. Underwood & Co., boring machines.....	Do.
Landis Tool Co., grinding machines.....	Waynesboro.
Landis Machine Co., bolt cutters.....	Do.
ILLINOIS.	
Chas. H. Besly & Co., grinding machines.....	Chicago.
Hardinge Bros. (Inc.), lathes.....	Do.
Lennox Machine Co., Joseph T. Ryerson & Son (Inc.).....	Do.
Joseph T. Ryerson & Son (Inc.), punches, shears, etc.....	Do.
Bignall & Keeler Manufacturing Co., pipe machines.....	Edwardsville.
Hoefler Manufacturing Co., drilling machines.....	Freeport.
Moline Toole Co., drilling machines.....	Moline.
Reynolds Machinery Co., gear cutters.....	Do.
Williams, White & Co., punches and shears.....	Do.
Barber-Colman, gear-cutting machines.....	Rockford.
W. F. & John Barnes Co., drilling machines and lathes.....	Do.
Ingersoll Milling Machine Co., milling machines.....	Do.
Mechanics Machine Co., drilling machines.....	Do.
Rockford Drilling Machine Co., drilling machines.....	Do.
Rockford Machine Tool Co., milling machines.....	Do.

List of American machine-tool manufacturers—Continued.

Name and article manufactured.	Location.
WISCONSIN.	
Albany Hardware Specialty Manufacturing Co., drilling machines.....	Albany.
Gardner Machine Co., grinding machines.....	Beloit.
Gisholt Machine Co., boring mills and lathes.....	Madison.
Steinle Turret Machine Co., lathes.....	Do.
Kearney & Trecker Co., milling machines.....	Milwaukee.
Kempnith Manufacturing Co., milling machines.....	Do.
Lutter & Gies Co., grinding machines.....	Do.
Milwaukee Machine Tool Co., lathes.....	Do.
Ransom Manufacturing Co., grinding machines.....	Oshkosh.
Racine Tool & Machine Co., cold saws.....	Racine Junction.
INDIANA.	
Aurora Tool Works, drilling machines.....	Aurora.
Wood Turret Machine Co., lathes.....	Brazil.
Foster Machine Co., screw machines.....	Elkhart.
International Machine Tool Co., lathes.....	Indianapolis.
Superior Machine Tool Co., drilling machines.....	Kokomo.
National Automatic Tool Co., drilling machines.....	Richmond.
Sibley Machine Tool Co., lathes.....	South Bend.
NEW JERSEY.	
Farracute Machine Co., presses.....	Brighton.
Binnee Machine Co., boring machines.....	Newark.
Gould & Eberhardt, shapers and gear cutters.....	Do.
Maiselbach-Catucci Manufacturing Co., gear cutters.....	Do.
Newark Gear Cutting Machine Co., gear cutters.....	Do.
Sloan & Chase Manufacturing Co., gear cutters.....	Do.
Q. M. S. Co., metal-sawing machines.....	Plainfield.
MICHIGAN.	
Flanders Manufacturing Co., screw machines.....	Chelsea.
Fox Machine Co., milling machines, drilling machines.....	Grand Rapids.
Whitmarth & Morman Co., grinding machines.....	Do.
Valley City Machine Works, grinding machines.....	Do.
Western Machine Tool Co., drilling machines.....	Holland.
Morton Manufacturing Co., shapers.....	Muskegon Heights.
Mitts & Merrill, keyseaters.....	Saginaw.
VERMONT.	
Bryant Chucking Grinder Co., grinding machines.....	Springfield.
Felows Gear Shaper Co., gear cutters.....	Do.
Jones & Lannson Machine Co., turret lathes.....	Do.
Windsor Machine Co., turret lathes.....	Windsor.
DELAWARE.	
Betts Machine Co., boring mills.....	Wilmington.
Hilles & Jones Co., punches and shears.....	Do.
J. Morton Poole Co., boring mills.....	Do.
RHODE ISLAND.	
Brown & Sharpe Manufacturing Co., milling machines.....	Providence.
Beaman & Smith, milling machines.....	Do.
Diamond Machine Co., grinding machines.....	Do.
Langelier Manufacturing Co., drilling machines.....	Do.
Standard Machinery Co.....	Do.
Potter & Johnston, automatic turret lathes and shapers.....	Pawtucket.
NEW HAMPSHIRE.	
Flather & Co. (Inc.), lathes.....	Nashua.
E. J. Flather Manufacturing Co.....	Do.
IOWA.	
Adams Co., gear cutters.....	Dubuque.
MARYLAND.	
Detrick & Harvey Machine Co., planers and boring machines.....	Baltimore.
MISSOURI.	
W. B. Knight Machinery Co., drilling machines.....	St. Louis.
MAINE.	
Pay & Scott, lathes.....	Dexter.

The CHAIRMAN. Mr. Geier, will you state your full name to the committee?

Mr. GEIER. Fred A. Geier.

The CHAIRMAN. Where do you reside?

Mr. GEIER. At Cincinnati.

The CHAIRMAN. Whom do you represent?

Mr. GEIER. I represent the machine tool manufacturers of the United States.

Senator SMOOT. He was on the stand yesterday.

The CHAIRMAN. Oh, I beg your pardon. I was not here yesterday.

Senator SMOOT. This is a continuation of his remarks.

The CHAIRMAN. Proceed.

Mr. GEIER. Gentlemen, in the hearing yesterday we got to a point where we showed that the prime cost of labor, both for skilled and unskilled labor, was in Europe one-half what it is in this country.

I want to take a moment to make this point. You might say that a low cost of labor in Europe does not necessarily mean that that gives a low cost of production and that the question of the efficiency of that labor is directly involved.

I want to read to you from the report of the Government expert, Capt. Carden, as follows:

It is not too much to say that Americans in general have not been giving the Germans credit for learning and developing in machine-tool construction, and if it is proposed to keep ahead in shop efficiency the United States must look to the training of workmen from boyhood up.

Again, at page 43 of the report:

The shop managers at Borsig's—

A very large concern in Berlin—

have learned wonderfully well how to get the maximum capacity out of tools. There could undoubtedly be reductions made in the force employed; but there can be no mistake about the tools working at practically 100 per cent efficiency. It would be refreshing for some of our American manufacturers who believe that we alone understand the term "shop efficiency" to take a walk through these shops, and I believe that a glimpse of the workings of this particular plant would cause a realization of what there is ahead of America in foreign competition.

Senator GALLINGER. What report is that?

Mr. GEIER. Capt. Carden's report. He is the United States Government expert, sent out for two years to study the conditions of the machine-tool making industry in Europe as contrasted with the industry in this country.

Senator GALLINGER. And that report has been made to some department of our Government, has it?

Mr. GEIER. Yes, sir; we have the original here.

Senator GALLINGER. That is all right. I just wanted to identify it.

Mr. GEIER. Speaking of a shop in Belgium, Capt. Carden says, at page 67:

Mr. Jules Mélotte was a member of the jury of awards at the St. Louis Exhibition and is the sole proprietor of the Mélotte works. He has a wide knowledge of American manufacturing methods, and, being an engineer, he has applied American ways in the Remicourt shops. The most exacting of American shop superintendents would find it difficult to improve on the Mélotte installation; and as to the administration, the system in vogue would seem to leave little to be desired. I could perhaps mention shops which are working faster than Mélotte's, but the list would comprise our very best works.

Concerning this Wanderer Fahrradwerke product, you have some illustrations there in the Brown & Sharpe compilation, showing the types of machines this firm makes, as compared to theirs, and you will see how closely they have followed us in our American designs.

Now, I have given you the low cost of labor and I have given you evidence here of the high efficiency of those plants. The elements of the costs are material, labor, and overhead. Next is the question of volume. It has been repeatedly stated here that the volume affects the cost of a manufactured article. That is certainly one of the fundamental principles of manufacture. If I have a plant of 100 per cent capacity, to produce 1,000 machines, I can get a normal cost of manufacture. If I reduce the volume of that output to 500 machines my costs multiply very rapidly, and I get from an earning basis to a loss basis.

We have shown you, and will show you further on in the argument, that Germany is increasing her volume. The volume of her manufacture of these lines of articles has been multiplied very many times during the last decade. I will also show you that in their shop systems they have organized their plants upon American lines. Their expert engineers have been visiting here in great numbers, and they have copied our methods as closely as any enterprising nation could possibly copy another. They give our people credit for being the originators of these machines, for being the originators of the methods of manufacture, and they say: "We have taken from the Americans their ideas of design and their ideas of manufacturing."

I had a catalogue here of the Lavier concern, published away back in 1900. I am sorry I have not got it here. I wanted to show you a typical German plant. It is a marvel in its completeness and in the manner in which that plant is laid out; and there is nothing in this country any better than that plant.

You should keep before you the fact that they have our designs; they have our methods of manufacture; they have everything that we have; and they have got what we have not got, namely, labor at a cost one-half of what we have to pay ours.

It was stated yesterday that in our plants we should specialize more, and we should economize more, and bring out new types of machines. We are doing that. We have done it all the time and propose to do it in the future; but that only leads us up to a certain point. If they imitate us along those lines we can not get over the great difference between the two countries in the cost of labor.

Senator HEYBURN. I think it would be well to have some definition or illustration of that word "tools." To you it is familiar, but it might be well for some who will have to consider this question to know what you include within the term "tools."

Mr. GEIER. I said yesterday, gentlemen, that a machine tool, to the machine-tool manufacturer, up until the time I came here to Washington and got some of the Treasury decisions, meant a machine made of iron and steel, using a tool operating for metal cutting. A shaper is a simple machine. It operates a single-pointed tool backward and forward like that [indicating] over a piece of metal—iron, brass, or steel—to smooth its surface. A planer is a similar tool, only on a larger scale, to take a larger piece, in which again the work is passed over by means of a single-pointed tool. That is for flat surfaces.

Senator HEYBURN. A tool is a machine, is it?

Mr. GEIER. I make a distinction between a machine and a tool. The tool is the piece of tool steel that the gentleman was talking about, held in a machine tool, and which operates on the work to be done.

Senator HEYBURN. Then you do not include the machine when you are speaking of tools. You include only that part of the machine that does the cutting or accomplishes the process of manufacture?

Mr. GEIER. When I speak of a machine tool, it is a metal-working machine that employs a tool working on all sorts of metal.

Senator McCUMBER. The term "tool," as used by you, signifies not only the particular tool that does the cutting, but all the machinery necessary for the manipulation of that tool in the many kinds of steel work?

Senator HEYBURN. That is what I want to get at.

Senator McCUMBER. That is correct, is it not?

Mr. GEIER. A machine tool, may I say again, is used in every line of manufacture where metal is employed in the product. For instance, no Government arsenal or shipyard could build its product without all those different types of machine tools that you see illustrated there in that red book—shapers, planers, lathes, drilling machines to drill holes, boring machines to drill larger holes, and planers to smooth off the large parts of a casting that enter into an engine or motor or some other machine.

Senator HEYBURN. But you do not include the machine that operates the tool?

Mr. GEIER. Oh, yes.

Senator HEYBURN. Then the whole machine is included, is it?

Mr. GEIER. The whole machine is a machine tool.

Senator HEYBURN. I want that plain in the record, because otherwise we might confuse the machine that operates the tool with the tool itself.

Mr. GEIER. Yes.

Senator McCUMBER. Here is a cut of a heavy double-axle lathe. That cut, the whole thing, would be included under your term "tool"?

Mr. GEIER. That is a machine tool, that big machine; and this, of course, carries a smaller tool, of tool steel, that operates on the piece.

Senator McCUMBER. I think the definition I gave carries that meaning.

Senator JOHNSON. Is the Government's interpretation wider than yours that you have now given us, or narrower?

Mr. GEIER. Answering the Senator's question, the interpretation on the part of the customhouse officials, as I said yesterday, has very much broadened the machine tool beyond what the trade understands it to be. For instance, the Government in its own statistics has always classified woodworking machinery as separate and distinct from machine tools, because it works on wood.

Senator JOHNSON. And you only include in your definition, you said, a tool used for metal working?

Mr. GEIER. My understanding up to the present time is that a machine tool works on metal.

Senator HEYBURN. The Government, in levying duties, levies on the entire structure, does it?

Mr. GEIER. The Government recently, from time to time, has broadened its interpretation because of the fact of pressure being

brought upon it, since there were two rates of tariff—30 per cent for machine tools distinctly classified as machine tools, and other machinery 45 per cent. Naturally the importers were trying to put into the machine-tool classification machines that heretofore, by the trade, were not considered machine tools. So that in one decision recently, for instance, in connection with a machine imported by the Georgia Pulp & Paper Manufacturing Co., a machine they call a rossing machine, to take the bark off of the logs in the manufacture of pulp, was by the customhouse officials first classified as a wood-working machine, taking, therefore, the 45 per cent rate; but in the process of the argument the court finally held that that machine was entitled to the 30 per cent rate. In other words, it classified it as a machine tool. So I do not know where the end lies.

Senator SMOOT. Do you refer to the case of *Sears, Roebuck & Company v. United States*?

Mr. GEIER. No; this is a different case.

Senator SMOOT. I notice in Treasury Decisions, volume 21, No. 23, the decision was in that case:

A machine, in machine tools, connotes the application of some kind of power in the operation of an implement other than hand power alone.

If that is to be conclusive, then the decision it seems to me would be that every machine that was run by power, whether woodworking machinery or metal-working machinery, would be classed as a machine tool.

Mr. GEIER. You are absolutely right. My own thought is this, based on these decisions: That if we carry this thing to a logical conclusion, this Underwood bill would be placing on the free list every machine of every kind and description which actuates a tool, in contradistinction to using that tool by hand.

Senator SMOOT. In other words, wherever there is a power other than hand power.

Mr. GEIER. Yes. The decisions here (I have an abstract of them) are very sweeping. Here is a case, even, of a carpenter using a floor planer operated by an electric motor for smoothing off a wood floor. That is construed as a machine tool. Even worse than that, there is a case here where it was held in Treasury Decisions, volume 21, page 485, that a tool "used in punching or taking scratches out of window glass and consisted of a motor connected to a wheel or polishing tool" was a machine tool. That, of course, is going very far. If these decisions are right, then the machine tools of the future will embrace practically everything that is machinery.

Senator GALLINGER. Are those court decisions or decisions of the general appraisers?

Mr. GEIER. The decision in the Myers case is a court decision.

Senator HEYBURN. Suppose you put that memorandum in the record, giving those cases.

Senator GALLINGER. I think we ought to have that in the record.

Mr. GEIER. I will hand it to the stenographer, as a matter for the record.

The memorandum of decisions above referred to is as follows:

DECISIONS DEFINING MACHINE TOOLS.

In re the protest of Georgia Pulp & Paper Manufacturing Co., reported in volume 22, Treasury Decisions, part 5, for February 5, 1912, page 16, the United States General Appraisers on January 22, 1912, held "That bark or rossing machines used in

removing the bark from pulp wood, being power appliances for working on wood with cutting tools," were machine tools.

General Appraiser Fisher, in delivering the opinion of the General Board of Appraisers, said (p. 16): "A machine tool is a term which in common use would without question embrace a power-cutting machine used in woodworking, and we hold the merchandise here in question to be machine tools."

In re protest W. White, reported in volume 22, No. 4, page 18, Treasury Decisions, January 25, 1912, it was held, "That a woodworking machine known as a mortiser," was a machine tool.

In re protest W. Allison, reported in volume 22, No. 1, Treasury Decisions, page 25, January 4, 1912, it was held that "a combined jogging and punching machine" was a machine tool.

In re protest American Window Plate Glass Co., reported in volume 21, Treasury Decisions, page 485, decided December 31, 1911, it was held that a tool "used in punching or taking scratches out of window glass and consisted of a motor connected to a wheel or polishing tool" was a machine tool.

Myers v. United States, reported in volume 20, Treasury Decisions, page 192, is the leading case upon the subject, having been decided by the United States Court of Customs Appeals January 25, 1911. In this case it was held that "floor planers with an electric motor" were machine tools.

The court calls attention to the fact that the floor planers in question were portable and only put in operation by the hand of man, and that they resembled in general style lawn mowers propelled by hand.

This case shows the broad scope given to the term "machine tools" as found in the tariff act.

In re protest American Steel Wire Co., decided December 5, 1910, reported in volume 19, Treasury Decisions, page 1193, it was held that "cold-rolling mills, slitting machines, scale-removing machines, and straightening machines" were machine tools.

In re protest Schuchardt & Schutte, decided November 30, 1910, reported in volume 19, Treasury Decisions, page 1191, it was held that an "automatic gear hobbing or cutting machine" was a machine tool.

Senator HEYBURN. We must take the decisions of the courts into consideration in this matter, because they would affect the rate of duty as between 30 per cent and 45 per cent and the free list.

Mr. GEIER. Yes. This morning in looking over the imports I find the classification: "Machines and machinery." I do not know what it means, but it was said yesterday, you know, that the importation of machine tools only amounted to \$200,000, and therefore the manufacturers would not be harmed. But under this other classification, "Machinery and machines," there were \$10,000,000 worth imported last year.

Senator HEYBURN. That is what I was getting at.

Mr. GEIER. So the Lord knows how much stuff would come in under these new rulings.

I touched yesterday very briefly upon the fact that the foreigner, particularly the German, could bring his product over here at a less freight rate from Germany than the domestic buyer or the man who buys machines for domestic use in Germany would pay. I have here some figures showing that the carload rate from Dusseldorf to Bremen for export is 93 pfennigs per 100 kilos. The carload rate for domestic use is 1.42 pfennigs per 100 kilos. Chemnitz to Bremen, 1.42 pfennigs per 100 kilos, and domestic 3.36 pfennigs per 100 kilos. If you take the average size of machine tool which would come in here first weighing, say, about 4,000 pounds, they could bring those machines to the seaboard of the United States at a cost of about \$20, paying all of the ocean freight and railroad freight. With a machine of that size, figuring it at 15 cents a pound, \$600, which is a very conservative estimate, the transportation cost from the factory in Germany to New York City or Boston would be less than 4 per cent

of the value of the machine. The rate from Cincinnati to Boston is 62½ cents on a 4,000-pound machine, and higher of course from the West. So that, whereas in the argument presented in the lower House it was claimed that on some of these articles on which the tariff is reduced the element of transportation would be a protection to the manufacturer of the United States, you can see here that that would not hold in our case, because the transportation charge is so small an item of the total cost.

Now, gentlemen, we have given you our testimony in support of our contention that we can not stand this proposed reduction of the rate. Fortunately I have here testimony from the Germans themselves. It came into my hands only a few days ago. Here is a pamphlet issued by one of the greatest authorities in Germany on the subject of machine tools. It is entitled "Die Stellung der Deutschen Werkzeugmaschinen auf dem Weltmarkte," in other words, "The Position of the German Machine Tool Industry in the World Market," by Prof. Dr. Ing. G. Schlesinger, Charlottenburg, professor in the Technical University of Berlin, Charlottenburg.

This address was delivered at the annual convention of the German machine builders on April 6, 1911, in Berlin. He goes on to say that this data was gathered in the following way:

I have to thank 72 machine builders and 45 machine tool builders for their willing cooperation in getting the following data for the speech which I will present to-day. These consist practically of all the important German firms, and give therefore a complete picture of the actual conditions.

The comparisons he gives you in this book [indicating], and we have taken the trouble of having photographic reproductions made of this pamphlet, and if you would like to look at them they may be very helpful.

I want to read to you, and I ask your thoughtful attention to this, what this man says; because it is not our own testimony. It is the testimony of the Germans, who, to our minds, are the most vital in the consideration of this industry that we are representing. He says:

For the most part, the competition is confined only between Germany and the United States—

Please bear that in mind. That is what we claim, too—that our competitor of the future is the German.

Senator HEYBURN. And of the present?

Mr. GEIER. Yes; and of the present—

And therefore we are confining our present comparison between these two countries.

On page 1, paragraph 5, he goes on to say:

The first question to be answered is, How does it come that the German machine-tool builders can make such strong claims for their product to-day? Does the product actually take such an important part in the machine building of Germany and is there any danger of very strong importation from foreign countries? The statistics of the last 10 years show that the German export of machine tools to the whole world was 11,000 tons in 1900 and has increased to 58,000 tons in 1910, while the imports from America, which were approximately 7,000 tons in 1900, were decreased to 2,000 tons in 1901 and increased again in 1906 to a maximum of 8,800 tons, averaging 5,500 tons per year.

In other words, the imports of American machinery to Germany have declined from 7,000 tons to an average of 5,500 tons for the five years, whereas during the same period Germany's exports to the

world have increased from 11,000 tons to 58,000 tons, or over 550 per cent.

Page 2, paragraph 1, he says:

The reason for the present small export of German machine tools to America is the American tariff, which was formerly 45 per cent and is now 30 per cent ad valorem. The German machine-tool builder must, therefore, aim to build his machines so good and so cheap that they can climb over the American tariff wall, which is already happening in some instances.

There are men here to-day who have had very bitter experiences on that one point and have already lost out in competition with the German machines, the Germans paying 30 per cent tariff.

The comparison of export and import figures show that in the case of the German machine-tool builders in most types of machines they can claim equality with the American product, since most export markets welcome our machines and purchase them in big quantities.

Page 2, paragraph 2, he says:

A comparison of Germany's imports and exports in other fields of machine building, such as agricultural machinery, steam engines, boilers, hoisting machinery, locomotives, shows the important role which machine tools play for us in the economic life of our German nation. In exports machine tools take first place. The exports of locomotives follow very close.

We have placed before you a chart ¹ to very graphically indicate that—the machine-tool line being the upper line, showing this tremendous increase from 11,000 tons to 58,000 tons, and the locomotives following very closely after that.

Mr. GEIER. On page 3, paragraph 2, he says:

The active, enterprising, and comparatively small population of the United States, the high wages and the high cost of living forced the Americans long ago to a more extensive use of machines instead of hand labor than in any other country in the world. The beginning was the Civil War in 1864, at the outbreak of which, first of all skilled labor was necessary to make firearms of every kind. This necessity forced them within a few years to develop machine tools for the manufacture of firearms, the principles underlying these machine tools are still fundamental to-day. The strongly developed talent of Americans for the practical led to a scientific development of machine building, and especially machine tools. It should be noted, that German electrical manufacturers got their development from American influence. The close connections between the Allgemeine Electricitäts Gesellschaft with the General Electric Co., and the Union Electricitäts Gesellschaft with the Thomson Houston Co., were of the greatest importance in hastening the development of electrical machinery and its financial success. To-day the Germans are independent and stronger than their American competitors.

At page 4, paragraph 3, he says:

For a long time machine-tool building was a matter of experience only, and it is a strange circumstance, that it had to be the Americans again, who developed and placed upon the market between 1899 and 1900, what we now know as "high-speed steel"—

The product the gentleman was talking about this morning—

which resulted in placing a machine tool on the market which was stronger than the existing standard machine, and therefore the German manufacturer was compelled to change his methods to meet existing conditions. In the meantime the American's progress in handiness, convenience in operation, and economic production was reproduced.

Page 4, paragraph 4:

American product in the meantime found general recognition in the whole of Europe, especially in Germany, where they always displayed a fondness for any foreign article or product.

¹ Not printed.

Page 5, paragraph 1:

A reawakening of the German machine-tool industry resulted from their following very closely the American example in the construction of their well-built and durable machines. Machine tools of large proportions, used especially by mining and rolling mills, also shipyards, because of their more scientific requirements, were the first to compete with American imports into the home market and have to-day eliminated this competition completely.

I want to stop there a moment to recall to you that yesterday I was trying to point out to you the fact that whereas our exports to-day are still of a considerable amount, the machines that compose those exports are different from what we exported 10 years ago; and here is testimony to that effect.

Page 5, paragraph 2:

No one can blame the German machine-tool manufacturers if they copy a good thing wherever they find it. In the hard fight for existence the question of the origin of any idea or design fades into insignificance.

Page 5, paragraph 3:

What did we have to learn from the Americans and what have we actually learned from them? Note as follows:

The advantage of specialization.

Accuracy and good quality of machines for producing machine-finished product.

Handiness in operation or convenience.

Productive capacity and approved methods of testing machines.

Page 7, paragraph 1:

An examination of the special machinery built in Germany shows that the impression prevailing generally that the German machine-tool engineer is not skilled is erroneous.

Page 10, paragraph 4:

In the case of boring machines, small and medium sizes, American competition was forced to completely withdraw.

Again, I want to say that 10 years ago a good many American boring mills were exported into Germany. Here is the testimony to prove my statement that those exports are lost, and that what we have to-day is composed of new types of machines, highly organized and specialized, that they do not as yet make.

We only need mention one machine, namely, the Lucas boring mill, which is made very accurate and well constructed, but on the other hand is so high priced that it can not compete with the German market.

Page 12, paragraph 1:

A great number of German machine-tool builders never criticize the high prices of the American builders, as it was largely through this high price of American manufacturers that the German builder's position was strengthened, and enabled him to effect a far-reaching competition in the world market.

Page 13, paragraph 1:

On those machines on which the German makers compete with American product the prices are insufficient, but they will not be increased until Germany increases her schedule of tariff on the import of American tools into Germany. That the Americans are afraid of losing their superior position is shown—

1. In issuing a report by the Department of Commerce and Labor by Capt. Carden, entitled, "The Machine Tool Trade in Europe," which deals especially with the German machine-tool market.

2. The publication of a translation of the well-known American technical journal American Machinist in the German language.

3. Representation of machines of German make by agents who formerly (before 1900) only handled American machine tools.

I want to stop there a moment to say that there are a number of concerns in Europe, dealers in machinery, who built their business up on the importation of American machines, and who for many years sold only American machines; but the pressure on the part of the German builder of machine tools has become so great that during the last five years or more they have gradually taken up the sale of German machines, because they can no longer sell the machines they were formerly able to import from this country.

Page 14, paragraph 2:

The German machine-tool concerns, according to their own statement, export machine tools in great quantities to the United States. This applies especially to shears and punches.

Which, according to the last ruling, certainly would be machine tools.

Page 14, paragraph 3:

The German manufacturers declare that only since they have been specializing have they been able to make good profits, that export figures increased up to 60 per cent of the gross output, the output per workman being 9,000 marks (\$2,142), and this in a shop with about 400 men.

I want to say right here that that is a record of production, or testimony as to the efficiency of a plant, that will hardly find its equal in this country.

He goes on:

The Steel Trust—

Speaking of the United States Steel Trust—

buys continually from the Schmitzchen Feinwalzwerke, and many hundred shears from Pelse are exported to the United States. The same is true of lathes and gear-hobbing machines made by Reinecker and many other German concerns. Therefore, the German machine-tool builders should have sufficient courage to establish a counter-organization. They will sell their product even with a high tariff if the product is good and worth its price.

Page 16, paragraph 3:

The decade from 1900 to 1910 has been controlled by the development of high-speed steel, which brought about a change in the design of lathes and boring machines from the cone type to the single-pulley or geared-head machines.

In this the German manufacturer has equaled the American, and to-day even holds a superior position in the development of drives on lathes and boring machines. In the case of milling machines, there is a strong tendency to follow American construction, with probably the one exception of the vertical machine of Droop & Rein. In workmanship and productive capacity the German machines are equal to the American.

Page 16, paragraph 5:

The construction of gear-hobbing machines is a German invention theoretically, and practically the first machine which could be used for manufacturing was a machine built by Reinecker. The gear-hobbing machine is one of the machine tools exported to America in very large quantities. The machine is often called the German machine, and shows very clearly that the German machine has supplanted the American tool of this highly organized type of machine.

Senator HEYBURN. I want to ask you a question. Under the ruling you have referred to, which includes machines, what would be the imports into this country? You are devoting your attention entirely to the interpretation you place upon it. Referring to the interpretation placed upon this paragraph 73, what would be the amount of imports? You spoke of millions of dollars.

Mr. GEIER. The statistics for last year show that under the heading of "machinery and machines"—which certainly, under the Treasury decisions, one would have a right to classify under "Machine tools"—

Senator HEYBURN. Yes.

Mr. GEIER (continuing). The imports amounted, last year, in addition to the machine-tool item of \$199,000, to something over \$10,000,000.

Senator HEYBURN. Then, the figure given in this report, on page 81, of the machine tools, is based upon your interpretation and not upon the interpretation of the courts; \$191,082 would be the importation of machine tools under your definition of it?

Mr. GEIER. Practically so.

Senator HEYBURN. If we are to accept your idea of the interpretation of the Treasury Department and of the courts it would be over \$10,000,000, would it?

Mr. GEIER. Yes.

Senator HEYBURN. Do you hold that that \$10,000,000 of importations would come in under the free list, under the decisions of the courts and of the department?

Mr. GEIER. If the Treasury rulings are correct, I would certainly hold that \$10,000,000 worth of importations would be placed on the free list, and a good many other things.

Senator HEYBURN. Instead of \$191,000?

Mr. GEIER. Yes, sir; more than that. I think there are other things that are imported that could be classified as machine tools, which would swell the figure to a good deal more than \$10,000,000.

Senator HEYBURN. The House seems to have adopted your view of it, and they give the importations at \$191,082. They make no mention of, nor do they take into account, the \$10,000,000 of importations which you say under the decisions would come in free.

Mr. GEIER. That is right.

Senator HEYBURN. That is an important item.

Mr. GEIER. I think so. I think it is very important.

Senator HEYBURN. You rely entirely upon the decisions you have referred to, a memorandum of which is in the record?

Mr. GEIER. Yes, sir.

Senator HEYBURN. So that the question of whether or not these articles shall come in free is to be considered upon the basis of \$10,000,000 of importations rather than \$191,000.

The CHAIRMAN. You, of course, had no opportunity over in the House to say a word or to call attention to these decisions, had you, Mr. Geier?

Mr. GEIER. Absolutely none, and the notice of this bill came as thunder out of a clear sky. We had no opportunities of any sort.

The CHAIRMAN. There is no reason to suppose that the people over in the House knew about these decisions and their bearing on future importations, is there?

Mr. GEIER. I can not say. I have not had the opportunity of learning anything about it.

Senator HEYBURN. Let us get this in the record, so there will never be any question about it. Referring to paragraph 73, House report,

page 81, I understand you to say that this item instead of representing importations of \$191,000 represented importations of over \$10,000,000 that to-day come in free, according to the decision as you have interpreted it. It makes a very material difference whether we are dealing with small items of less than \$200,000 or whether we are dealing with an item of over \$10,000,000, does it not?

Mr. GRIER. Most decidedly; but I can not be asked to state positively—

Senator HEYBURN. No; I simply want your opinion, as I think it is a practical application of that decision to products other than the tool as you describe it.

Mr. GEIER. The decisions, as you see, are rather few in number—

Senator HEYBURN. Do you think they squarely hold that all of that class of machinery that you refer to as representing \$10,000,000 would be put on the free list?

Mr. GEIER. I think so. That is so, in my judgment. It would not take long to read the decisions, to give the committee a clear idea—

Senator HEYBURN. It is a very important item.

Mr. GEIER (continuing). As to how sweeping these decisions are, and how inclusive the rulings in the future might be.

Senator HEYBURN. Have you examined this report for the purpose of determining under what item this surplus would come?

Mr. GEIER. I was unable to get from the Government reports any separation defining by name the types of machines that enter into these Government figures.

Senator HEYBURN. What class of machinery was involved in the decisions?

Mr. GEIER. I had better read the decisions, I think, to save time.

In re the protest of Georgia Pulp & Paper Manufacturing Co., reported in volume 22, Treasury Decisions, part 5, for February 5, 1912, page 16, the United States General Appraisers on January 22, 1912, held "that bark or rossing machines used in removing the bark from pulp wood, being power appliances for working on wood with cutting tools," were machine tools.

Again: General Appraiser Fischer, in delivering the opinion of the General Board of Appraisers, said (p. 16): "A machine tool is a term which in common use would, without question, embrace a power cutting machine used in woodworking, and we hold the merchandise here in question to be machine tools."

In re protest W. White, reported in volume 22, No. 4, page 18, Treasury Decisions, January 25, 1912, it was held "that a woodworking machine known as a mortiser" was a machine tool.

Senator HEYBURN. The whole machine?

Mr. GEIER. The whole machine.

Senator HEYBURN. And not the mortising tool alone?

Mr. GEIER. No; the machine.

In re protest W. Allison, reported in volume 22, No. 1, Treasury Decisions, page 25, January 4, 1912, it was held that "a combined jogging and punching machine" was a machine tool.

Senator HEYBURN. That is your comment on the decision, is it?

Mr. GEIER. I am reading this.

Senator HEYBURN. That is the syllabus of the decision?

Mr. GEIER. Yes; this is the syllabus of the decision.

In re protest American Window Plate Glass Co., reported in volume 21, Treasury Decisions, page 485, decided December 31, 1911, it was held that a tool "used in punching or taking scratches out of window glass and consisting of a motor connected to a wheel or polishing tool" was a machine tool.

Senator HEYBURN. Well, that is a tool.

Mr. GEIER. No; it is a machine.

Senator HEYBURN. They speak of a tool used in connection with it, in that case.

Mr. GEIER. No; the whole thing together.

Senator GALLINGER. Those are all Treasury decisions. Have you a court decision?

Mr. GEIER. Here is the court decision:

Myers v. United States, reported in volume 20, Treasury Decisions, page 192, is the leading case upon the subject, having been decided by the United States Court of Customs Appeals January 25, 1911. In this case it was held that "floor planers"—planers for wood floors—"with an electric motor" were machine tools.

The court calls attention to the fact that the floor planers in question were portable and only put in operation by the hand of man, and that they resembled in general style lawn mowers propelled by hand.

I should think upon this decision lawn mowers are machine tools.

Senator HEYBURN. Did they hold that a lawn mower was a machine tool?

Mr. GEIER. This case shows the broad scope given to the term "machine tools," as found in the tariff act.

Again, in *re protest American Steel Wire Co.*, decided December 5, 1910, reported in volume 19, Treasury Decisions, page 1193, it was held that "cold-rolling mills, slitting machines, scale-removing machines, and straightening machines" were machine tools.

In *re protest Schuchardt & Schutte*, decided November 30, 1910—

Senator McCUMBER. Are these court decisions or Treasury decisions?

Mr. GEIER. They are all Treasury decisions except the one.

Senator McCUMBER. Except the *Myers* case?

Mr. GEIER. Except the *Myers* case. In *re protest Schuchardt and Schutte*, decided November 30, 1910, reported in volume 19, Treasury Decisions, page 1191, it was held that an "automatic gear hobbing or cutting machine" was a machine tool.

This last decision there is no difference on among us in the trade. We would have classified that ourselves as a machine tool. But the other decisions are something entirely outside of our idea of what a machine tool is, and therefore it certainly throws down the bars, and, to our minds, puts on the free list, together with these machine-tool manufactures, a great many other classes and descriptions that heretofore have not been considered machine tools, and which, under the Underwood bill, it was intended, at least as I understand the bill, to still protect with 25 per cent.

Senator HEYBURN. What is the rate of duty on that commodity that represents \$10,000,000 under the existing law?

Mr. GEIER. Forty-five per cent.

Senator HEYBURN. That would be \$4,500,000 in duty alone that we would lose on that, under this proposed legislation?

Mr. GEIER. Yes, sir.

Senator HEYBURN. In addition to the competition we would lose \$4,500,000 in duties.

Senator SMOOT. That is a mere bagatelle nowadays. [Laughter.]

Mr. GEIER. It might be claimed by some gentlemen that our loss of the export business in Germany or elsewhere is due to the fact that we are charging inordinate profits. That would be a very pertinent question. We have endeavored, in the short time at our disposal, to get statistics from our members as to what their earnings for the last 10 years have been on the amount of capital invested, and our figures show (those that we have been able to get) that the average earnings in the machine-tool industry for the last 10 years are a little less than 9 per cent on the capital invested. Inquiry was made of 67 concerns; and I submit, gentlemen, that that is a reasonable profit.

Senator HEYBURN. Does that represent all years, or what you would call fat years?

Mr. GEIER. It is the average over 10 years. It takes in the good years with the bad ones.

Senator HEYBURN. Were there any years in which there was no profit?

Mr. GEIER. Undoubtedly. In fact, right now we are just emerging—

Senator HEYBURN. Then there must have been some years that were rather fat?

Mr. GEIER. I will quote Mr. Schwab in that respect, that we need some fat years to make up for the lean.

Senator HEYBURN. Yes; I recognize that proposition. I simply wanted to get the fact.

Mr. GEIER. I can not submit any absolute evidence, but from my own personal knowledge from reading German papers, in which are quoted the earnings of the German concerns, I want to say to you that the German machine-tool builders certainly make as much as that. We have evidence that they declare larger dividends than I have seen declared in American machine-tool shops.

Senator SMOOT. You folks ought to go into the making of automobiles. They will protect those all right.

Senator JOHNSON. You spoke about \$67,000,000 being invested. What does that represent? Does it represent a cash investment or plants taken at certain prices?

Mr. GEIER. My statement was that the evidence I submitted was gathered from 67 concerns.

Senator JOHNSON. Oh; 67 concerns?

Mr. GEIER. Yes. You will recall that we claim that the total capitalization of the 225 machine-tool building concerns in this country is about \$40,000,000.

Senator JOHNSON. \$40,000,000? That is, their stock capitalization?

Mr. GEIER. The 67 concerns that reported on this inquiry represent a capitalization of \$21,000,000.

Senator JOHNSON. That is their stock capitalization?

Mr. GEIER. That is the full investment, capital and surplus.

Senator JOHNSON. What do you mean by "investment"? Do you mean money invested?

Mr. GEIER. Lands, buildings, machinery, materials, finished and unfinished stock on hand, and the necessary money to run the business with. I want to say that I do not think there is any water in the capitalization of the machine-tool industry of this country.

Senator HEYBURN. Is there any combination among those concerns?

Mr. GEIER. Among these 225 concerns?

Senator HEYBURN. Among the lesser number that you spoke of.

Mr. GEIER. Absolutely no combination of any sort or description.

Senator HEYBURN. Were the plants bought up pursuant to a plan of consolidation, as was attempted in the steel business and iron and hardware business?

Mr. GEIER. No; and there is no chance in the future of that thing happening, because the business, in the first place, is not profitable enough to induce any scheme of that sort; and secondly, it is a business in which very much depends upon the individual ingenuity and skill of a group of men.

Senator HEYBURN. A few years ago the hardware business of the United States and certain branches of the iron business took options on nearly all those plants in the country of any consequence, with a view of forming a combination, placing a certain value upon the plants, the owners of them to receive a certain amount of stock in the gigantic enterprise and some cash, in consideration of turning over their business to a central control. Has there been anything of that kind in your business?

Mr. GEIER. There never has been anything of that kind in our business.

Senator HEYBURN. Has there ever been any effort to do it?

Mr. GEIER. There has never been any effort of that kind. I am beginning to wish there might be. [Laughter.]

Senator HEYBURN. Well, they did not take up the options; but I wanted to know if there had been any effort of that kind made in your business.

Mr. GEIER. Gentlemen, for just a moment now I want to show you the situation. Our exports in this line of business in the years 1898 to 1900 amounted to \$18,000,000, or an average of \$6,788,000 per annum, to all countries. In that same period Germany bought from us an average of \$2,262,723 worth.

Senator HEYBURN. What is that? Two million or twenty-two million?

Mr. GEIER. \$2,262,723. Understand, these figures that I have given you are on metal-working machinery, which includes our machine tools. These are Government statistics analyzed for the years.

Senator HEYBURN. Is it your idea that those figures represent the exports on the basis of the decision of the department?

Mr. GEIER. No.

Senator HEYBURN. Can you say, offhand, what figures would represent the exports on the basis of the decision?

Mr. GEIER. I would not be prepared to say. It would be very much larger than this.

Senator HEYBURN. Yes; necessarily.

Mr. GEIER. During that first period of three years, which marks the beginning of the German machine-tool industry development, Germany bought 37 per cent of these total exports of metal-working machinery.

Take the next 10 years, beginning with the year 1901. Our exports to all countries of metal-working machinery averaged \$5,605,000. It

had gone down from \$6,788,000. Germany's portion on that latter statement was reduced from 37 per cent to 24 per cent.

Now, there is another table here that you have a diagram of showing what is happening in the neutral markets, like France. Here is a chart, and I have a table here beginning with 1895 and going up to 1910. Here, again, these statements include machines and machinery, which, of course, covers more than machine tools. It includes more things than machine tools, but it is a similar class of products and shows our relative ability to compete with Germany in France. We began in 1895, and we sent over there 5,244,000 francs of exports. We reached the high-water mark in 1907 of 54,739,000 francs. Since then we have declined, so that in 1910 we only shipped into France exports amounting to 46,000,000 francs—a decrease of about 16 per cent since 1907.

Taking the same period for Germany, they began with 16,000,000 francs in 1905. Taking the high-water mark for us in 1907, they had reached 76,000,000 francs, and they have steadily gone on since that time, until in 1910 they bought from Germany to the extent of 111,000,000 francs, or an increase of 50 per cent during the period in which our exports to France declined 16 per cent.

I was able to also get the per cent of the purchase of machinery on the part of Belgium for 1906, 1907, and 1908. This is not given in money; it is given in weight. The United States sent to Belgium, in 1906, 487,497 kilos; in 1907, 713,725 kilos; in 1908, 659,584 kilos. Germany, in the same period of years, began with 6,970,000 kilos; in 1907, 9,464,000 kilos; and in 1908, 10,479,000 kilos. Our proportion, you see, is less than 6 per cent of that.

Now, gentlemen, I want to call your attention to this fact, that in this bill automobiles, bicycles, motorcycles, are still protected 40 per cent; muskets, muzzle-loading shotguns and rifles, 15 per cent; breech-loading shotguns and rifles, pistols, and parts thereof, 35 per cent; watch movements, including time detectors, 35 per cent, and all other products—and this is the important thing to remember—into which metal of any kind enters in any degree, 25 per cent. In other words, every kind of machine tool, or machine used in wood-working, or working in a rubber plant, or whatever it may be, textile machinery, under this Underwood bill is still in the 25 per cent class. I would like to enumerate just for a moment the kinds of machines that are still in this same bill protected by at least 25 per cent.

Machines for shoemaking, paper and pulp, leather working, confectionery, cotton, woolen, knitting, bottle making, steam pumps, electrical machinery, water meters, adding machines, sugar, rolling mill, rubber, road making, rock drilling, mining, pneumatics, hydraulic presses, cotton ginning, oil well, agricultural, dairy, laundry, traction engines, cement, brick making, metal molding, rotary blowers, ventilating, can making, hat making, straw braiding, steam shovels, barb wire, wire weaving, dredging, cranes, jib, cranes traveling, cranes locomotive, hoisting machinery, elevators, conveyer, grain elevating, flour making, stone crushing, internal-combustion engines, metal drawing, tube drawing, wire drawing, pin making, windmills, hot-air engines, chain making, glass making, paper-box making, envelope making, weighing machines, scales, paint making, chemical machinery, goldsmith machinery, button making, butchers, coffee machinery, dental machinery, telescopes, microscopes, laboratory apparatus, fertilizer, filtering machinery, telephone machines, telegraph machines,

flying machines, injectors, water wheels, ice making, vacuum cleaning, air compressors, bakers' machinery, cotton-seed oil, cereal making, gun making, nail making, nippers and pliers, and many others we have not had time to list.

Senator GALLINGER. Too numerous to mention.

Mr. GEIER. These are all protected in the proposed Underwood bill by 25 per cent.

Senator McCUMBER. It would make that clearer to us if you would tell us what is left out. [Laughter.]

Mr. GEIER. Among other things that are left out, involved in this classification, are printing presses, machine tools, cash registers, etc. There are seven items on that list on the free list.

Senator JOHNSON. You told us a while ago that under the interpretation placed by the court upon the term "machine tool," \$10,000,000 worth, in your opinion, would come in free.

Senator HEYBURN. Does now.

Senator JOHNSON. Would some of those machines be included in those you have now read as being dutiable under the proposed bill?

Mr. GEIER. Yes, sir.

Senator JOHNSON. They run into each other?

Mr. GEIER. Yes, sir. That item in the Underwood bill is a basket clause. It simply says metal products, the iron and steel schedule, in which any kind of metal is used. That would, of course, take in all these different machines I have enumerated.

I would like to take a moment to call your attention to the fact that this bill is discriminatory and unjust in this respect: It puts a comparatively few items on the free list and leaves certain articles protected at various rates—up to 40 per cent on automobiles; whereas, as a matter of fact, the men who are put on the free list, including the machine-tool builders, are still left to compete with every other manufacture in which the same kind of labor and the same kind of material enter. An automobile manufactured to-day is protected under this bill, reduced from 45 to 40 per cent. It is a highly profitable business.

Senator GALLINGER. Can you give us any reason why that large duty was left on automobiles?

Mr. GEIER. I have not the slightest idea. The automobile business has sprung up in the past few years, and has swept our shops clean, almost, of all the labor that we have developed over a period of years. They have taken the ready-made product of our efficient labor and transferred it to their plants, because they could, of course, pay them a higher rate because they got a higher profit out of their product than we could.

Senator HEYBURN. Do they, as a matter of fact, pay them a higher price, the same class of labor?

Mr. GEIER. Most decidedly. They have raised for us the cost of our manufacturing very considerably by the fact that they got these men immediately and took them out of our plants and paid them almost any price because they could afford to do so. But here are all the other lines of business. Take the electrical manufacturing business, a business that is much larger than ours; there is one concern that is two or three times as big, both in its capitalization and its volume of product, as the entire machine-tool industry represented here to-day. So there are other businesses. The automobile business is also two or three times as big as the machine-tool business; and so with many of these other items I have given you

here. In other words, there are hundreds of thousands of men who are employed—machinists, skilled and unskilled—in these plants, and we are asked to continue to compete with all those manufacturers, and necessarily must pay the same price for our labor that we pay now; and compete also with the material, when our product is subjected to the importation of a market where the cost of labor is one-half that which we have to deal with.

Senator GALLINGER. So it is your view that the removal of the duty would be disastrous to your industry; is that correct?

Mr. GEIER. That is correct; and I want to support that opinion by evidence showing you gentlemen just what would happen. I said yesterday, gentlemen, that I only wanted to submit you actual facts.

Senator GALLINGER. I want to ask you another question. I suppose you have given consideration to the question—in fact, I know you must have—as to the effect on your business, and all kinds of business, of an ad valorem rather than a specific duty, in the matter of undervaluation. Have you given any thought to that? This bill is based upon the ad valorem idea, the revenue basis.

Mr. GEIER. We have always been on the ad valorem basis, so that this bill does not make any distinction in that respect.

Senator GALLINGER. It does not make any difference to you?

Mr. GEIER. No.

Senator HEYBURN. Could all of your employees, if you went out of business, get employment in the automobile shops?

Mr. GEIER. I do not think so.

Senator SMOOT. The automobile shops could get them very much cheaper than they do now; not only your men, but the men they have at present employed?

Mr. GEIER. I want just to take one matter up with you a moment, and I think it is very important you should know it. I am going to give you some data showing you the facts of the competition of the foreign machines, the price laid down in New York, as against American competing machines f. o. b. their respective factories. This is based on the prices to the German consumer now ruling, not on the lower German export prices, which undoubtedly would follow if you tempt them with free entry into this country.

First of all, I have an exhibit here. There you see two typical machines. You can see they are very similar in construction. In fact, in this case this happens to be our former representative in Germany, who has now launched into the manufacture of our machines.

Senator HEYBURN. In Germany?

Mr. GEIER. In Germany; and we found the other day this machine being quoted for a technical school in Bridgeport, Conn. I have the absolute prices on it, and there is no dream about it. It is a reality. The price quoted on that machine delivered in New York, a German machine, with a 30 per cent duty, was \$350; as against our price, f. o. b. factory, of \$425. That would indicate they could undersell us on that machine, after paying the 30 per cent duty, 20 per cent.

Senator JOHNSON. Is that one of the highly specialized machines which you export?

Mr. GEIER. This is one of the simpler machines that we used to export.

Senator JOHNSON. Do you not export it now?

Mr. GEIER. This particular machine no longer sells in Europe. It is driven out by just this sort of thing. Here is another exhibit.

Senator HEYBURN. You say it no longer sells in Europe. Is it because of the fact it is being manufactured there and you could not compete with it; is that the idea?

Mr. GEIER. Precisely.

Senator HEYBURN. It is not because it has gone out of the market?

Mr. GEIER. Oh, no; we sell them in this country still. Here is another exhibit showing an American machine and a corresponding machine made in Germany. The price of the No. 2 plain size of that machine, laid down in New York—allowing 5 per cent for bringing it over—is \$831.60. The price of the corresponding machine made in this country, f. o. b. factory, is \$1,550. The next one is a No. 2 Universal, the foreign price \$1,020, against \$1,600 American. Again, a German machine, \$1,260, as against \$1,850. They undersell us from 32 to 47 per cent on the basis of the prices now ruling in Germany, not considering the German export price.

Senator SMOOT. Is that German machine just as good as the American machine?

Mr. GEIER. I said yesterday that I would not want to admit that in milling machines the Germans have equaled us. But they are making very good machines; and on the simpler types, where the question of quality is not the all-important factor, they are making machines that could be brought over here very easily.

Senator GALLINGER. There seems to be so great a discrepancy in the prices of some of them, I should think they would put you out of business.

Senator HEYBURN. Are the German machines good enough to displace your machines if they could come in on equal terms?

Mr. GEIER. In this country, like any other country, all factories do not buy strictly high-grade machines. We have in this country machines of varying grades. There are some repair shops where the strictly high-grade machines would not be bought in this country, and in those places, and in a good many manufacturing establishments, the cheaper, less high-grade machines would be bought, and are being bought in this country, and would certainly be bought; and the German machine would be fully equal to those requirements. That is a great part of our business in this country. The strictly high-grade machine in every branch of business is, after all, the smaller portion of the total quantity used.

Senator HEYBURN. The underlying principle of the protective tariff is to prevent the displacement of an equivalent article in our market; that is the effect of free trade. My question was whether or not the German machines were of sufficiently high grade to displace the machines you otherwise would supply?

Mr. GEIER. In a great many instances they would be perfectly competent to displace the American product, if there were no protection.

Senator HEYBURN. That is the whole protective tariff question.

Mr. GEIER. Here is a case I want you to notice, gentlemen. This is the American-designed machine; it happens to be my own.

Senator JOHNSON. Let me ask you one question. You are showing us those goods. Do those come in under the classification "machine tools"?

Mr. GEIER. Yes, sir; strictly, absolutely. There is no question about these.

Senator JOHNSON. I simply wanted to understand.

Mr. GEIER. This on the left is the design of our own; this is the German machine [indicating]. On that point I want to say that the price of the German machine is \$882, as against our price of \$1,025. Here is another sized machine of the same type, \$1,049, German; as against \$1,275. Here is \$1,050 on another size, as against our price, \$1,275. I am always quoting these prices delivered in New York.

Senator SMOOT. With the duty paid?

Mr. GEIER. With no duty. Here is an illustration, gentlemen. We are talking a good deal about highly organized machines.

Senator HEYBURN. You say those prices of the German machines delivered in New York do not take into consideration the duty that they pay under existing tariffs?

Mr. GEIER. No. These are possible consumers' prices in New York when admitted free.

Senator HEYBURN. The real cost to the Germans would be that plus the duty?

Mr. GEIER. Yes.

Mr. WALTER. If there was a duty.

Mr. GEIER. Here is another illustration, showing how closely these machines are imitated. I want right here to call your attention again to the fact that the American tool builder has an expense of at least 5 per cent on his volume of output in the way of designs, that the German, in this instance, saves. He simply waits until we have thoroughly developed the product, and then takes the finished product, you see, and duplicates it.

Senator SMOOT. Why do you not get patents in Germany on all these improvements in machinery?

Mr. GEIER. For a very good reason. Even in this country we can not any longer get fundamental patents on our machines. We can get elements of them patented, but it becomes increasingly difficult in foreign countries even to get patents on the elements. Most of us are trying to protect ourselves as far as we can, but the protection is practically nil. Another thing you must remember is that most foreign countries that give patents exact the further obligation of manufacturing over there.

Senator SMOOT. Germany does not.

Mr. GEIER. Here I have some lathes, which are the simpler types of machines, showing the percentages by which the American lathes could be undersold, ranging from 21 per cent to 34 per cent. Here is another sheet on planers, where the difference would be even greater, the ranges of underselling being from 24 to 56 per cent. On shapers it is 34 per cent. Here is a case where the Ithaca Machine Co., of New York, which, by the way, under this new bill, has its machinery protected 25 per cent, already has bought some German machines at a price, paying the duty of 30 per cent, 9 per cent less than the price quoted by the American manufacturer of that type of machine. Here is a case of bevel-gear machine, a machine originated in this country. The price in New York of the German machine would be \$945, as against \$1,425 for the American machine.

Senator HEYBURN. That is plus the duty on the German machine?

Mr. GEIER. No; that is not plus the duty. So it goes on in different lists. Here is one 8 per cent only. But you have to know in that case that that machine is of a larger capacity than the corresponding machine made over here. It is sometimes difficult to get absolutely identical machines as to design and capacity. Here is another case

of a gear-cutting machine, where the difference would be 22 per cent. Coming to the radial drilling machines, here is a big boring machine. The difference is 41 per cent. Here is another case where the difference is 48 per cent, and here is one of 51 per cent.

Senator HEYBURN. After they take the duty out they would be about on the same basis.

Mr. GEIER. Gentlemen, I would like to have about 6 minutes more to read to you a summary on this question.

Senator JOHNSON. Let me ask you a question before you begin that, You have already said that your exportations from this country of machine tools are something about \$5,000,000, did I understand you?

Mr. GEIER. Four and a half millions, I stated yesterday, estimated.

Senator JOHNSON. Can you furnish a statement of what machines are represented by those exportations?

Mr. GEIER. We could, if we had lots of time. It depends on the willingness of all the manufacturers of those machines to give us that data.

Senator JOHNSON. From your general knowledge of business, what kind of machines are you exporting; what are they?

Mr. GEIER. The machines we are exporting to-day consist largely of what I would call the highly organized machines.

Senator JOHNSON. Leave that out, and specify what are the machines.

Mr. GEIER. Automatic screw machines, for instance.

Senator JOHNSON. Automatic screw machines.

Mr. GEIER. Universal grinding machines, the Universal milling machines, and particularly the machines of the more recent designs in milling machines; what we call the gear-drilling machines; automatic turret machinery, machines that, instead of doing the work on a lathe, now do certain work automatically. And there are some few gear-cutting machines still sold over there, also some lathes of highly organized design, as against the simple type of lathes.

Senator JOHNSON. And planers?

Mr. GEIER. Planers are practically out of the market. Occasionally some friend of the American machine, either owning a shop controlled by Americans, or having American machines throughout his plant, will buy a planer. But that is so rare that it is practically negligible. It is the same way with the shapers. There is a man right in this room, of the Hendy Machine Co., of Tolland, Conn., who used to get orders for shapers, which is a very high-grade machine, but a simple machine, 50 machines at a time. I doubt whether he has sold 50 in the last two years. So there would be instance after instance where a man could get up and testify that he formerly sold this type of machine in great numbers, and that the business is entirely gone.

Senator JOHNSON. Have you stated, in a general way, all the machine tools that are shipped abroad?

Mr. GEIER. Yes, sir.

Senator JOHNSON. In the statement you have given now?

Mr. GEIER. Automatic screw machines I have given you; turret machines; things of that kind. I want to make this statement, which may prejudice my case, but if you will investigate it it will not. I have referred before to the fact that in the last 12 to 18 months particularly, Germany and England have been enjoying a period of prosperity that they have not had for a decade, and that the Ger-

man and English tool builders are so busy that they can not make prompt deliveries of their machines, and that has given us, temporarily, especially during the past six or eight months, because we had our own select demand in this country, with our warehouses full of finished products, and because of our ability to make immediate shipment, an opportunity to get in again temporarily. But it is a temporary condition, which surely will pass away from us as soon as the German tool builder catches up.

I might say here that, of course, we have lots of letters and evidence from our former representatives to indicate that they no longer can market our machines. It is a voluminous proposition and would probably take too much time. There is one telegram that came in yesterday that might be pertinent, from Takata & Co., of New York, as follows:

MR. FREDK. GEIER,
805 Westory Building, Washington, D. C.:

We are large exporters to Japan, and it is our experience that American machine tools of standard design can not be sold there to any extent because continental and British machines can be had much cheaper. We are, of course, anxious to build up the export business of our house and use our utmost endeavor to secure Japanese orders for machinery as well as all other American products; we can only sell in Japan American machine tools of special design, in which the question of price is not a controlling factor.

EDWARD L. YOUNG, *Manager*,
TAKATA & Co.

SUMMARY OF ARGUMENT PRESENTED BY THE MACHINE-TOOL BUILDERS BEFORE THE SENATE FINANCE COMMITTEE.

[Contending that an amendment should be passed striking out the item "machine tools" from the free list in the Underwood tariff bill (fixing rates for metals and metal products, H. R. 18642), and continuing this item under the tariff rate of 30 per cent, as fixed by the present law.]

We submit, first, that there is no specific principle of tariff making under which the placing of machine tools on the free list can be justified.

(a) And one believing in the American policy of promoting American manufacturing must, of course, strenuously oppose the placing of "machine tools" on the free list, since it can be absolutely proven that the industry needs the reasonable protection of 30 per cent now afforded. Under the Payne law this rate on machine tools was reduced from 45 to 30 per cent. A study and close analysis of cost conditions as they exist to-day would fully warrant a restoration of the 45 per cent rate from the viewpoint of a reasonable protective principle in tariff making.

(b) Placing machine tools on the free list is directly contradictory to that principle of tariff making which makes production of revenue the prime consideration. The statistics show that the United States Government cleared \$57,324 in revenues on importations into this country of foreign-made machine tools in the fiscal year of 1911. Under the existing 30 per cent tariff rate this figure will rapidly increase year by year. (See charts of German exports accompanying brief.)

(c) The principle of absolute free trade as a basis for tariff making would certainly presuppose uniformly fair application of that principle to all commodities and industries alike, especially upon all raw material entering into finished products; but this bill, covering innumerable items of material and innumerable items of finished product into which any kind of metal enters, places only seven items on the free list, one of which is "machine tools." By placing machine tools on the free list this bill compels the American machine-tool industry to compete on the one hand with low-priced foreign labor, about one-half our wage rate, but equally efficient with ours, and on the other hand with all other employers of American labor in this country (all of whose products are still protected by this bill) using identically the same class of labor as employed in the machine-tool industry and who would continue to pay the higher American scale of wages. At the same time this bill establishes a tariff rate on every item of material which goes into the construction of a machine tool, and while some of these rates may be lower than the present existing rates yet they will not permit the American machine-tool builder to purchase one single item of his material at any lower price than he pays to-day under the existing tariff schedule. (See schedule of prices accompanying brief.) We submit, therefore, that

placing "machine tools" on the free list is not in accordance with the established principle of absolute free trade as a basis for tariff making.

(d) There remains one ground upon which it might be claimed that placing seven items of finished product in this entire schedule on the free list under this measure might be justified, and that is that these seven items are produced in America under monopolistic control and have special patent-right protection, which results in abnormal earnings for the capital employed and excessive prices on these products to the American consumer. The items of finished product placed on the free list by this bill are as follows:

Cash registers, linotype machines, sewing machines, typewriting machines, printing presses, tar and oil spreading machines, machine tools.

We are not concerned with establishing whether the industries controlling the first six items are monopolistic in character or not, or whether they are protected under patent rights, or whether placing these items on the free list in this bill (should it become a law) will nor will not lower the prices on these items to the American consumer. However, absolute facts can be presented to show that the machine-tool industry of America does not bear the faintest semblance to monopoly, but, on the other hand, that it exists under most highly competitive conditions. (See schedule showing distribution of capital and statement of average earnings accompanying brief.) Upward of 225 concerns are engaged in the manufacture of machine tools in this country, and results show that their average profits over a period of 10 years are only such as to yield not more than a fair rate of interest on the actual capital invested, while at the same time the class of labor it employs is well paid and well cared for. In other words, facts are at hand to show that the American consumer is not being charged prices for American machine tools beyond the point sufficient to yield a fair interest on the actual investment to the American manufacturer of machine tools, so that on this principle also of tariff making no justification remains for placing machine tools on the free list in this bill.

Second. Proof is at hand to show that the present 30 per cent tariff on machine tools does not fully equalize the difference in cost of labor here and abroad, special reference being had to Germany, our most formidable competitor.

We have the statistics to show that the imports of German machine tools, even under the existing tariff rate of 30 per cent, will rapidly increase. We have proof to show that under free trade and on the basis of regular prices now quoted by our German competitors in Germany (not the lower export price, in accordance with the regular German custom, which is the price we would actually have to meet here under free trade) German copies of American machine tools or German competitive machines equal or superior to the American machines would flood this country at an average of 30 per cent to 40 per cent under the price of the American machine tool. (See tables accompanying brief showing landed price in New York on competing German make of machine as against the price of the equivalent American-made machine.) Germany has in the last few years outdistanced us in the fight for machine-tool trade in export markets, where we meet upon equal ground. France is a conspicuous example where the sale of American machine tools has been rapidly declining, while the sale of German machine tools has been rapidly increasing. In 1900 German and American machinery and machine tools sold in France to about an equal amount, 35,000,000 francs. From that date on Germany has been rapidly gaining over America, until in 1910 she sold 110,000,000 francs of machinery and machine tools to France, while America sold only 45,000,000 francs. This 30 per cent tariff rate, therefore, is needed to equalize the difference in cost here and abroad. To put this industry on the free list and at the same time to give it no reduction in the cost of material or the cost of wages and overhead means to destroy it.

Third. Keep in mind that while this bill proposes to open our market free to our German competitors and free to all other foreign competitors it does not secure for us any relief whatever in the tariff rates levied against us by foreign countries, in some cases practically prohibitive. Canada, for instance, would continue a tariff rate against machine tools of 27½ per cent ad valorem, while our markets would be opened free to the Canadian manufacturers of machine tools. There would remain only one logical way in which the American machine-tool manufacturers could ultimately meet this foreign competition, and that would be to move their plants to Canada, and especially to Germany, where they could make these same machines at lower cost and ship them into the American markets free on equal basis with the Germans and at the same time meet the German competitor in his own market under equal conditions of cost without the tariff handicap. But this would simply mean that America would lose an industry while our foreign competitors would gain one.

Fourth. If it should be argued that under this provision foreign machine tools of equal value with the American machine tools would come into this market and sell to the American consumer for his benefit at an average of 30 per cent under the existing

American prices, and that therefore the American consumer is entitled to this benefit, notwithstanding the fact that such a provision would destroy the American machine-tool industry, then why does not this bill put all other finished metal products on the free list wherever the foreign trade commodity would thereby come into America and sell at a lower price to the American consumer than does the similar American product?

This course might work disaster on American industry as a whole, but at least it would not single out and discriminate against any single American industry, as does this provision in the Underwood bill discriminate against the American machine-tool industry.

Fifth. One of the suggestions which has been advanced as being a possible ground on which "machine tools" have been placed on the free list in this bill is that this American product has been largely exported to foreign countries, while the imports of foreign machine tools have been small.

(a) It can be absolutely established by abundant data that the American exports of machine tools are diminishing, especially in Germany, from which country we would suffer most under free-trade conditions. The simpler types of American machine tools, such as planers, shapers, lathes, drills (manufactured by 85 per cent of the American concerns engaged in this industry), can no longer be sold in Germany, except to some degree under an occasional abnormal trade demand, when our German competitors are oversold and can not make delivery. Some few highly organized and more or less special American machine tools still have a market in Germany, but it can only be a temporary one. It is to be noted that the consumer or user of these tools in foreign countries pays a higher and in Germany and other protected countries a very considerably higher price for them than does the American consumer or user. (See exhibit in brief.)

Referring to report No. 260, accompanying this bill (p. 831), it should be carefully noted that the figures there given for exports are listed under the following heading: "Metal-working machinery (including metal-working machine tools)." It is apparent that if these figures were compiled to indicate the exports of machine tools only they would be very greatly reduced, probably to considerably less than one-half, and even this corrected figure would be made up largely of the more highly organized and automatic type of machine tools whose manufacture is confined to the other 15 per cent of the American machine-tool manufacturers.

Out of the total of 221 firms selected at random from the advertisers of several of the leading trade papers 120 are manufacturers of machine tools and 101 are manufacturers of metal-working machinery, both coming under this export classification. Taking this same list, Dun's agency rates 7 of the machine tool concerns at over \$1,000,000 and 49 under \$75,000, while it rates 18 of the metal-working machinery firms at over \$1,000,000 and only 28 under \$75,000. In the 101 manufacturers of metal-working machinery are included producers of such diversified manufacture as boiler-making machinery, punches, shears, presses, plate rolling and bending machinery, riveters, and other sheet-metal working appliances; also presses for metal working, metallurgical furnaces, bench vices, hoists, small cranes, jacks, hammers, forges, blowers, and other blacksmith implements, as well as a vast number of other machines and appliances used in the metal-working industries, all of which products would come under the Government classification of "Exports of metal-working machinery."

(b) It is claimed that the imports of foreign machine tools have been small, but an analysis will show that the percentage of increase is exceedingly rapid when it is considered that only a few years ago there were practically no imports on this item, while in 1911 the imports rose to \$191,082, notwithstanding that during this year the German plants have been oversold and not able to take care of the demand in their own country, while the American machine-tool plants have been running short time because of the low demand here. Under the present conditions of competition, with the existing 30 per cent tariff rate, this percentage will rapidly increase. Each year will show on the average a rapidly decreasing export figure and a rapidly increasing import figure.

(c) However, why should an American industry be penalized so long as it can be absolutely shown that its average profit on actual capital is only such as to pay a fair rate of interest on investment, because it has been enterprising enough to secure, in the past at least, orders from some of the foreign markets, and thereby employ American material, American labor, and American capital to fill these orders? The logical conclusion on these premises would be that the American Government should encourage rather than penalize the American machine-tool builder in his effort to maintain a foreign trade already rapidly disappearing on many types of tools in such countries as Germany.

Sixth. The above propositions, impartially considered, can only drive us to the conclusion that "Machine tools" were placed on the free list in this bill through the absence of specific and properly interpreted statistics and information.

We appear, therefore, for the passing of an amendment to correct this error in both Houses of Congress, thereby eliminating "Machine tools" from the free list in this bill and continuing them under the present tariff rate of 30 per cent.

Seventh. A committee of the American Builders' Association appeared voluntarily before the Ways and Means Committee of the House preceding the enactment of the present 1909 tariff law agreeing to a reduction of the tariff rate from 45 per cent to 30 per cent as an absolute minimum. This was done in an effort to hold down foreign tariffs at that time threatening to be advanced, and to obtain for us the most favored rates in all countries, with the hope that our export trade could be at least temporarily prolonged.

It was believed at that time (not anticipating the rapid recent advances made, especially by the German machine-tool builders) that 30 per cent would approximately equalize the difference in cost, with a maximum rate of 37½ per cent wherever we failed to obtain the most favored rate. At that time, for the year 1908, the imports of foreign machine tools were inconsiderable. A study of the relative cost conditions at the present time, and a conservative judgment of the greatly increased competition we must meet from Germany in the next few years, would fully warrant a restoration of the previous 45 per cent rate.

The above facts are recited only to show that already the American machine-tool industry has gone on record as desiring only such a minimum tariff rate as will fairly equalize the difference in the costs here and abroad, and only on such elements of cost as adhere in the fundamental economic differences in the two countries. We want no protection for our brains or our energy. We are willing and ready to have all the conditions of our industry thoroughly, impartially, and scientifically investigated, and are ready to abide by any tariff rate that may fairly result from an investigation of this character.

Thereupon, at 12.50 o'clock p. m., the committee adjourned until to-morrow, Thursday, February 15, 1912, at 10 o'clock a. m.

APPENDIX.

[From the Iron Age.]

Material.

[Price per 100 pounds, f. o. b., American furnace.]

GERMANY.

Kind.	United States.	For home use.	For export.			
			F. o. b. Germany.	Ocean freight.	Duty paid under proposed bill.	Delivered New York.
Pig iron.....	\$0.75	\$0.631	\$0.631	\$0.10	\$0.063	\$0.794
Bar steel.....	1.40	1.24	.112	.10	.112	1.332

ENGLAND.

Kind.	United States.	For home use.	For export.			
			F. o. b. England.	Ocean freight.	Duty paid under proposed bill.	Delivered New York.
Pig iron.....	\$0.75	\$0.601	\$0.601	\$0.10	\$0.060	\$0.711
Bar steel.....	1.40	1.41	1.41	.10	.141	1.651

236 DUTIES ON METALS AND MANUFACTURES OF METALS.

United States exports of metal-working machinery (including machine tools).

	To Germany.	To all countries.
1898.....	\$1,609,828	\$4,616,663
1899.....	2,638,403	6,491,586
1900.....	2,479,939	7,192,380
	6,788,170	18,303,659
1901.....	1,034,622	4,054,313
1902.....	258,694	2,977,389
1903.....	317,711	2,826,111
1904.....	896,785	3,716,708
1905.....	912,822	4,332,685
1906.....	1,814,106	6,445,612
1907.....	2,245,364	9,369,066
1908.....	1,935,468	8,096,235
1909.....	943,119	3,640,034
1910.....	1,804,682	5,975,503
1911.....	2,523,735	9,636,965
	14,677,110	61,960,493

Exports to Germany (3 years) 1898-1900.....	\$6,788,170
Exports to Germany (average per year).....	2,262,723
Total exports to all countries (3 years) 1898-1900.....	18,303,659
Total exports to all countries (average per year).....	6,101,219

37 per cent of all exports per year to Germany (1898-1900).

Exports to Germany (11 years) 1901-1911.....	14,677,110
Exports to Germany (average per year).....	1,334,283
Total to all countries (11 years) 1901-1911.....	61,660,493
Total to all countries (average per year).....	5,605,550

24 per cent of all exports for years 1901-1911 to Germany.

Total exports to all countries (10 years) 1901-1910.....	52,033,328
Total exports to all countries (average per year).....	5,203,328
Exports to Germany (10 years) 1901-1910.....	12,153,375
Exports to Germany (average per year).....	1,215,337

23 per cent of all exports per year (1901-1910) to Germany.

The following figures are the amount of imports into France in francs from the United States of America and Germany of machines and machinery and tools and hardware since 1895:

Year.	United States.		Germany.	
	Machines and machinery.	Tools and hardware.	Machines and machinery.	Tools and hardware.
	Francs.	Francs.	Francs.	Francs.
1895.....	5,244,206	990,779	16,221,176	9,650,474
1896.....	6,770,482	977,675	16,094,457	10,013,513
1897.....	10,874,801	1,250,632	18,208,382	10,480,220
1898.....	16,151,992	1,517,600	18,978,425	10,034,003
1899.....	29,866,006	2,240,000	23,815,000	12,670,000
1900.....	37,644,000	3,020,000	35,736,000	16,215,000
1901.....	23,759,000	2,035,000	33,999,000	14,500,000
1902.....	22,827,000	1,962,000	34,784,000	16,679,000
1903.....	26,746,000	2,448,000	32,898,000	17,740,000
1904.....	33,844,000	3,384,000	34,608,000	18,015,000
1905.....	36,814,000	2,549,000	43,458,000	18,399,000
1906.....	41,682,000	3,235,000	53,712,000	22,621,000
1907.....	54,739,000	3,732,000	76,732,000	25,031,000
1908.....	45,192,000	3,480,000	91,467,000	25,065,000
1909.....	45,753,000	3,934,000	84,116,000	27,004,000
1910.....	46,420,000	3,447,000	111,931,000	28,525,000

Exhibit of Belgian machine-tool import figures for the years of 1906, 1907, and 1908.

Country of origin.	1906	1907	1908
	Kilos.	Kilos.	Kilos.
United States.....	487,497	713,725	659,584
Germany.....	6,970,429	9,464,503	10,479,280

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 6

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

THURSDAY, FEBRUARY 15, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE.

UNITED STATES SENATE

BOIES PENROSE, Pennsylvania, *Chairman*.

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

WELDON B. HEYBURN, Idaho.

ROBERT M. LA FOLLETTE, Wisconsin.

JOSEPH W. BAILEY, Texas.

F. M. SIMMONS, North Carolina.

WILLIAM J. STONE, Missouri.

JOHN SHARP WILLIAMS, Mississippi.

JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, *Clerk*.

W. B. STEWART, *Assistant Clerk*.

II

D. OF D.
MAY 3 1912

THURSDAY, FEBRUARY 15, 1912.

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), Cullom, Lodge, McCumber, Smoot, Gallinger, Clark, Heyburn, Simmons, Williams, Kern, and Johnson.

**STATEMENT OF MR. FRANK C. B. PAGE, OF BROOKLYN, N. Y.,
VICE PRESIDENT OF THE E. W. BLISS CO.**

The CHAIRMAN. Mr. Page, state your full name to the committee.

Mr. PAGE. Frank C. B. Page.

The CHAIRMAN. Whom do you represent?

Mr. PAGE. The E. W. Bliss Co., of Brooklyn, N. Y.

The CHAIRMAN. Where do you reside?

Mr. PAGE. In Brooklyn.

The CHAIRMAN. You may proceed with your statement to the committee.

Mr. PAGE. We employ about 1,800 men in our factory in Brooklyn. Most of these men are what are called skilled mechanics.

The CHAIRMAN. What is the nature of your product?

Mr. PAGE. Our product is machinery for working metal, principally sheet metal. We make a line of punching, cutting, shearing, forming, and forging machinery, and special machinery. We have always looked upon this as coming under the head of "machinery not otherwise specified" in the tariff list, but in view of the ambiguity and uncertainty which exists regarding the classification, and in view of certain rulings by the Treasury Department, we believe a great many of our machines would be considered machine tools, and put on the free list.

We get our business from a very large field—from manufacturers of kitchen ware, stoves, lamps, ranges, and all kinds of sheet-metal articles. I should judge there are in this country about 50 manufacturing concerns in the same general line that we are.

The CHAIRMAN. In what States are they, principally?

Mr. PAGE. In New York, Connecticut, Rhode Island, Michigan, Missouri, New Jersey, California, and Oregon.

We do a business of approximately \$3,000,000 a year. Of that we export about \$250,000. Our export prices are the same as our domestic prices; that is, the same at New York. Therefore the foreign consumer pays a higher price at the destination for what we export than the consumer in this country, which is due, of course, to carriage, duty, etc.

I should divide our product into two classes: Machinery of a very special nature, and machinery of what might be termed a regular or standard nature.

The standard machinery is made up of the more simple and standard types, while the special machinery runs into automatic and very intricate machinery.

The machinery that we export is composed almost entirely of the intricate and special machinery. The small amount of standard machinery which we export is only incidental to the special machinery. That is for the reason that we find it practically impossible to sell

standard lines of machinery abroad, in view of the competition which exists, principally on the part of the Germans and English. I mention this as an explanation of how we get this export business.

In our line of manufacture the cost of labor is the main element. Our figures show that of the total cost labor is 70 per cent, material is 20 per cent, and other expenses—such as salaries and administrative charges—are 10 per cent. Figuring material at 20 per cent does not eliminate the original labor costs that enter into it. We do not buy the raw material. We buy pig iron, bar steel, sheet steel, and steel in various shapes, and other materials of like nature.

Some years ago, owing to slackness of business in this country, we made a strong bid for foreign business, and sent representatives abroad, and built up a small additional business to the extent of probably \$300,000 a year. Five or six or seven years ago we began to experience great difficulty in holding that business; in fact, it was getting away from us, owing to the German competition. This necessitated our inaugurating factories in Paris, and one in London, for the sole purpose of being able to compete and avail ourselves of the lower prices of labor. We located in Paris for the reason that at that time France was an open field; there were no manufacturers of any moment in that country. They were large purchasers from Germany. We have been able to hold our business in France, and it has also helped us in our export business from this country, because a great deal of our product is in the nature of special machinery which does not sell alone on price, but on the question of economy of production; and in that line we are able to do some business abroad to the extent of about \$250,000 a year.

Senator HEYBURN. In cooperation with your own foreign establishments?

Mr. PAGE. Yes; in cooperation with our own foreign establishments. I made mention of the fact a few minutes ago that, broadly speaking, there are really two classes of our product: One is special and very intricate machinery; the other is machinery of a standard nature, which is much simpler.

Senator HEYBURN. It would seem to be particularly appropriate, at this point, for you to give the comparative wages in your own establishment in France and your establishment in this country.

Mr. PAGE. I will give you the wages of three classes of skilled labor that apply very largely to our manufactures:

Machinists, 30 cents per hour in Brooklyn; 17 cents per hour in Paris.

Die makers—they are a very high class of labor, of which we use a great deal—36 cents in Brooklyn; 18 cents in Paris.

Senator HEYBURN. You are giving the wages in your own shops, that you know about positively?

Mr. PAGE. In our own shops.

Blacksmiths, 37 cents in Brooklyn; 22 cents in Paris.

I have eliminated the fractions, and am giving just the cents.

From this it will be seen that the cost of labor in France in our line is a trifle over 50 per cent of what we pay in Brooklyn.

While I have not the exact figures to give you that pertain to our London factory, they are, if anything, a trifle less than those in Paris. So the comparison there would be even more disadvantageous for us.

I think it well to state here, after having given these labor costs, that we have some German competition right in this country.

Senator HEYBURN. Have you any in France?

Mr. PAGE. Yes; we have very strong German competition in France.

Senator HEYBURN. I did not intend to interrupt you, but I wanted to know about that.

Mr. PAGE. I think it pertinent to offer these figures to the committee:

There is a series of punching presses here which we believe would in all probability be held to come under the machine-tool heading. The first press, made by Edmund Kirkheis, in Germany, weighing 3,200 pounds, is priced in New York at \$306, including duty and all carrying charges. For a similar press made by us, 200 pounds less in weight, our selling price is \$327. In other words, our price in New York or Brooklyn is \$327, and the German price is \$306.

Senator McCUMBER. Does that include the duty?

Mr. PAGE. That includes the duty; yes. The German price is \$306, including all costs—duty, carriage, and everything else.

There is another case here of a German press, made by the same maker, weighing 8,800 pounds. The price in New York is \$661. A similar press made by us, 200 pounds heavier, is priced at \$690. These are actual figures.

Senator HEYBURN. The price of the imported article also includes the duty?

Mr. PAGE. In each case it includes the duty.

Senator HEYBURN. Please give us those figures again.

Mr. PAGE. The German price is \$661; our price is \$690.

Senator HEYBURN. Do you mean to say that that is the cost price?

Mr. PAGE. That is the selling price.

Senator HEYBURN. How much profit have you on one of those machines?

Mr. PAGE. Probably 10 per cent.

I have here a case of a heavier press, weighing 30,000 pounds. The German price at New York, including duty, is \$1,993. A similar press made by us, weighing 26,000 pounds, sells for \$2,340. In that case our actual cost is \$2,300; so that there is practically no margin of profit at the price at which it is sold.

Senator HEYBURN. Is any quantity of that machinery imported?

Mr. PAGE. Not a great deal of it.

Senator HEYBURN. Does the tariff keep it out?

Mr. PAGE. I think it does.

Senator HEYBURN. They seem to have a very good margin over and above their tariff according to those figures.

Mr. PAGE. Yes. That is under a 30 per cent duty, I think.

Senator HEYBURN. Would they come in, in your judgment, if the tariff were removed?

Mr. PAGE. I think they would. They are in the nature of plain, simple machines that they can build quite as low as any manufacturer in America.

Senator HEYBURN. Are they built in both England and Germany?

Mr. PAGE. No; they are built in Germany.

Senator HEYBURN. Altogether?

Mr. PAGE. No; this one concern is in Germany, but there are manufacturers—

Senator HEYBURN. But you manufacture in France?

Mr. PAGE. We manufacture in France; yes.

Senator HEYBURN. You could manufacture there, and import, and compete on favorable terms with your own American factories; could you not?

Mr. PAGE. I think we could; yes, sir.

In view of the figures I gave you in the case of this last press, which shows a very small profit to us at the price I mentioned, I may say that competition is very keen in our line of machinery. There are probably half a dozen concerns of the first class in the line; there is the keenest kind of competition, and it simply holds down the price. I believe, under present conditions, it would make absolutely no difference how high the duty might be on our line of machinery as regards the selling price.

Senator HEYBURN. Do you import to this country any of those machines from your foreign factories?

Mr. PAGE. Very few, and only of types we do not make here.

On the question of patents, I will say that we have no fundamental patents; and it is hardly possible to obtain patents that would give us any protection to speak of against foreign competition in this line.

Senator HEYBURN. Then you started these factories abroad purely to compete in the foreign market?

Mr. PAGE. To compete in the foreign market.

Senator HEYBURN. Not in this market?

Mr. PAGE. No; to hold a business that we initiated during dull times in this country.

Senator HEYBURN. If the duty were removed, would you import to this country from your foreign factories?

Mr. PAGE. Probably; yes.

Senator HEYBURN. And transfer your wage account from this country to France?

Mr. PAGE. Several courses probably would be open to us, none of which we would like to avail ourselves of; but in case of necessity we probably would have to avail ourselves of some of them. One would be enlargement of our foreign factories and importing into this country in order to get the benefit of the low rates of labor over there.

Senator HEYBURN. That is, if business conditions in this country called for any such course?

Mr. PAGE. If business conditions here called for it; yes. We think they would call for it.

Senator HEYBURN. You do? Do you think business would revive in this country under free trade, so that you would have much sale here for your machines?

Mr. PAGE. Perhaps I should put it in another way. I think it would call for our ceasing to do business in this country under those conditions.

Senator HEYBURN. But suppose you could find a market?

Mr. PAGE. If we could find a market in this country, we would have to supply it from abroad.

I have mentioned the fact of competition being keen. There is absolutely nothing in the nature of a combination, or anything of the kind, in this line. There is individual effort on the part of every concern and keen competition. The profits are small. We look upon 10 per cent as a good profit.

Senator HEYBURN. Ten per cent on the cost of the machine?

Mr. PAGE. Ten per cent on the cost; yes, sir.

Senator HEYBURN. Of course, in that you include all charges, direct and overhead?

Mr. PAGE. All direct and overhead charges—everything. But it will be seen, from the fact that 70 per cent of the total cost of our product is labor,—

Senator HEYBURN. That is, labor in the factory or labor from the ground up?

Mr. PAGE. Labor in the factory.

Senator HEYBURN. In the factory alone?

Mr. PAGE. Yes.

Senator HEYBURN. Then you do not count the labor which goes into the raw material which you use?

Mr. PAGE. No; I do not count that at all. That would tend to increase it.

Senator WILLIAMS. In connection with that statement, would you mind putting in the record later, if you can not do it now, an analysis of the matter, so as to enable the committee to judge as to whether or not you have arrived at a proper conclusion?

Mr. PAGE. An analysis of what kind, Senator?

Senator WILLIAMS. An analysis of your total cost, stating just how much is for labor, what the labor is, and what it consists in, so we can see if you have arrived at a correct conclusion?

Mr. PAGE. Of course I could furnish that to you from our office in very great detail. I have not got it here.

Senator WILLIAMS. That is what I say. For that reason I do not ask you to do it now. I took it for granted you could not furnish it right now.

Mr. PAGE. I am speaking from our actual figures in New York.

What I was saying was that in view of the fact that 70 per cent of the cost of our product is labor, and the cost of similar labor abroad is about 50 per cent of our cost here, it seems to me it follows that their cost must be at least 35 per cent less than ours, everything else being equal.

Senator WILLIAMS. Do you export any of your goods?

Mr. PAGE. Yes. We export about \$250,000 worth of goods yearly.

Senator WILLIAMS. To what countries?

Mr. PAGE. To England, France, Germany, and all the other countries in small quantities.

Senator WILLIAMS. Have any of those countries protective tariffs against the entry of your goods?

Mr. PAGE. Yes. I might mention, in that connection—

Senator JOHNSON. Pardon me, before you leave that subject. You said there was no combination. Is there an association of machine-tool manufacturers in regard to the foreign market? Have you an association?

Mr. PAGE. Not in this line.

Senator JOHNSON. Have you in any line?

Mr. PAGE. Not that I know of.

Senator JOHNSON. Is there an agreement between your manufacturers that they will make a discount to foreign purchasers in the New York market?

Mr. PAGE. Not that I know of. I do not want to appear to be uncertain about this. I want to say that the line I represent has never been considered in the trade as strictly a machine-tool product. In the line of machinery that we make, of which, as I have stated, there are probably 50 manufacturers the country over, there is absolutely nothing in the nature of an agreement or combination to maintain prices or anything of the kind. It is a case of competition from the ground up.

Senator HEYBURN. You said, in answer to Senator Williams's question, that you exported to France and Germany and England. Before Senator Williams came in you stated that you exported in connection with your factories on that side of the water; in cooperation with them. Do you export finished machines independently of your factories on that side?

Mr. PAGE. No; we sell through them. But I should like to make it plain that in nine cases out of ten the class of machinery that we ship from this side over there is of a very special nature. None of it is of a standard type. It is sold on the ground of reduced cost of production, saving of material, or something of the kind. In some cases those special machines carry with them machines of a simple and standard nature.

Senator SIMMONS. What do you mean when you say they are sold on the basis of reduced cost of production?

Mr. PAGE. I will cite a case. We are now shipping into England a large special press machine for kitchen-utensil work; for making a big sheet-metal bowl. The method of making it over there at the present time is by means of two machines and two press operations. It takes probably five mechanics, or press operators, to run those two machines, with an intermediate annealing operation between the two machines, making it rather a costly process. We furnish one machine—

Senator SIMMONS. You mean a costly process over there?

Mr. PAGE. A costly process over there, due to the number of operations I have mentioned.

Senator SIMMONS. The process is not so costly over here?

Mr. PAGE. No; I can not say that.

Senator SIMMONS. I thought you meant that. You were explaining what you meant by "reduced cost of production."

Mr. PAGE. No; I will try to explain, Senator. We offer for the same work one machine which in one operation will produce the article. That is a new type of machine which we create and design here. Through the fact that we create it and that it will reduce the cost of production of that article over there, they pay us a higher price for it than they can buy the two machines for. It is through just such transactions as that that we get some foreign trade.

Senator SIMMONS. The sum and substance of that is that you can make that particular machine cheaper here than they can make it there, is it not?

Mr. PAGE. No; not the machine. The machine costs more money, but it produces more cheaply the work it is designed to turn out. That machine was built to turn out a certain sheet-metal article, and it cuts down the cost of the sheet-metal article that it produces.

Senator McCUMBER. Then you can sell over there just so long as you can produce a special type of machine in advance of what they have over there?

Mr. PAGE. That is exactly the point I am trying to make.

Senator McCUMBER. And as soon as the foreign manufacturers begin to copy that machine and make it over there they will cut off your market?

Mr. PAGE. Absolutely.

Senator WILLIAMS. I understand the situation to be about this: You initiate and they imitate. Is that it?

Mr. PAGE. That is the idea; yes, sir.

Senator WILLIAMS. You can trust Providence for your initiation lasting as long as their imitation, can you not?

Mr. PAGE. I do not think so.

Senator WILLIAMS. You will not quit initiating after you have finished with your present machines?

Mr. PAGE. No; but here is the point in connection with that, Senator: The making of the machinery that results from this initiating is, after all, a small amount of the total business we do.

Senator WILLIAMS. But this is not the only machine of which that is true, is it?

Mr. PAGE. No; of course not.

Senator WILLIAMS. We are always initiating these new things, are we not?

Mr. PAGE. Yes. That is the only way we can remain in the business.

Senator WILLIAMS. There is no reason to suppose we will quit it, is there?

Mr. PAGE. No.

Senator SIMMONS. At the hearing a day or two ago, I understood one of the witnesses to say that the total production of these machines in this country amounted to about \$40,000,000, and that there were exports of from \$4,000,000 to \$5,000,000.

Senator McCUMBER. That referred to machines of a different character.

Senator SIMMONS. I understood that the witness was speaking of machine tools.

Mr. PAGE. I explained before you arrived, Senator, that this product of ours, while it has never been considered by us or by the strictly so-called machine-tool builders as machine tools, is possibly so classified in view of some of the decisions of the Treasury Department, but it was not included in the figures given by the machine-tool representative.

Senator SIMMONS. Referring to the explanation you give, that you are able to sell in England and in France certain tools that are a little in advance of the kind they make over there, would that cover the whole five millions of our exports in these machines? If not, what part of them?

Mr. PAGE. I can speak intelligently only with regard to our own exports, Senator. To the extent that our exports enter into that total, I can say that practically all of our exports are of that type.

Senator SIMMONS. You can not speak as to the balance?

Mr. PAGE. No; I can not speak as to the balance.

Senator HEYBURN. You are within the \$10,000,000 class that was referred to?

Mr. PAGE. We are within the \$10,000,000 class.

Senator WILLIAMS. I should like to ask you one question in that connection. Here is a given machine, for example, and you improve upon it. You make a better machine to accomplish the same purpose. It naturally follows from that, does it not, that the old machine ceases to be used to a great extent, not only in Europe, but here at home?

Mr. PAGE. Yes; broadly speaking, that is so. But in that connection, Senator, I will say that there are certain standard lines of very simple machines which can be used for a great variety of work by the introduction of different tools into those machines; and those standard lines are simplicity itself to people like the Germans. They make them now. I gave a few cases, I think before you came in, of the comparative selling prices at New York of some machines such as we make, and similar machines made by the Germans, put down in New York.

Senator WILLIAMS. But my point is this: If you have improved that machine and have devised a better one for the same purpose, which would result in lessened cost of production of the article which is made, people, as a rule, would prefer the superior machine made in America, even at a higher price, although the Germans could make the inferior machine and send it in at a less price than you could: would they not?

Mr. PAGE. Quite right; but the great majority of our business is done on what we are speaking of now as inferior machines. They are not inferior in the sense that they have been displaced. These special machines only apply in certain specific cases. Where a man comes to us with a certain article like a lamp, we will say, or a watch or something of the kind, and wants an improved plant for making it, we sit down with our engineers and go through the matter exhaustively and figure out the most economical way of producing the article. Those are special cases. The real basis of the business, the real backbone of it, is the simple line of machines. The others are in the nature of leaders.

Senator McCUMBER. You have stated that you will probably continue initiating advanced machinery?

Mr. PAGE. Yes.

Senator McCUMBER. Have you any reason to believe that Germany will not continue initiating advanced machinery?

Mr. PAGE. Personally, I have a very high regard for the ability of the Germans not only to manufacture cheaply, but to initiate the very things that we are doing.

Senator McCUMBER. Have you any reason to believe that because in the past we have kept in advance of foreign nations in the manufacture of time-saving and reduced-cost-of-production machinery we will indefinitely continue superior to other countries in that respect?

Mr. PAGE. I do not believe we will, for the reason that for some years Germany has been sending over here engineers whom we employ right in our shops, and they get the full benefit of all our experience that has gone before—which is the basis of the initiating process—and go back and use on the other side the knowledge they acquired here to compete with us.

Senator McCUMBER. I want to carry that idea a step further. There must be some basic reason for America, in the manufacture of machinery, keeping in advance of foreign countries. That is a reason that has existed in the past. Will you tell us what that reason is?

Mr. PAGE. In our line I think we were in the field earlier than the Germans.

Senator McCUMBER. Has it not to a great extent been due to the wonderful development of this country and the constant demand for new machinery which has accentuated our inventive genius and kept us constantly on the alert to produce better machinery?

Mr. PAGE. I have not any doubt that that very largely enters into it.

Senator McCUMBER. Is there anything in the American atmosphere that makes Hans Blundenstein become more intellectual and progressive when he gets on this side of the ocean than he was when he was over in Germany?

Mr. PAGE. I have never discovered it.

Senator McCUMBER. Then it is not the individual, but more the condition, that has been the cause of our great advance? It is not so much the individuality of the American that has kept us in the lead as it is the conditions which surround us?

Mr. PAGE. I think that is very largely so.

Senator McCUMBER. With the new conditions of the present, with Germany coming to the front and following up everything carefully upon a scientific basis, and with the energy that she is putting into the field in the development of her foreign trade, is it not a fair presumption that we shall not long hold our lead as against Germany in the production and manufacture of all kinds of machinery?

Mr. PAGE. I think so. I certainly think so.

Senator McCUMBER. And if we should freely open this market to them, so as to give them the great field of American demand, would it not naturally follow that we would accentuate their ability to create the newer machinery that would be adapted to the requirements of this country?

Mr. PAGE. I think their ability has already been accentuated. I think they have the ability right now.

Senator McCUMBER. So that in making a tariff bill we should look somewhat to the future as well as to the present conditions, and we can not wholly measure our future requirements by what they have been in the past?

Mr. PAGE. I think so.

Senator SIMMONS. I should like to ask a few questions along that line. In the case of most of these machines of the older or standard type, I understand you contend that Germany can now compete with us?

Mr. PAGE. Yes.

Senator SIMMONS. And that Germany has a great advantage over us in the labor cost? That is your position, is it not?

Mr. PAGE. In labor cost; yes.

Senator SIMMONS. Taking that condition with reference to the older and standard types, can you tell the committee the extent of German exports to this country of those older and standard types during the last few years?

Mr. PAGE. No; I can not tell you how much has come in.

Senator GALLINGER. You can imagine what it would be if we were on a free-trade basis, can you not?

Mr. PAGE. I tried to make that plain by my statements, Senator.

Senator SIMMONS. We want facts, not theories. Do you not know, as a matter of fact, that Europe is not now exporting to this country

to any considerable extent even the older types or the standard types?

Mr. PAGE. I think that is right.

Senator HEYBURN. It would seem that we have no figures upon which to base an estimate as to the imports, so far as the House report is concerned.

Senator SIMMONS. I supposed this gentleman had some knowledge on the subject.

Senator HEYBURN. I have been thinking about asking the committee to call upon the department for the figures covering this \$10,000,000, because unless we have them we can not estimate the importations. The House has estimated upon the basis of the exclusion of machines, and counting only tools. But the department, in collecting duties under the decision of the courts, has included ten millions or more of additional importations. So we have no basis upon which to make an estimate.

Senator SIMMONS. I assumed that this gentleman, representing a certain line of manufacturing in this country, had followed very closely the matter of competition on the part of foreign producers, and that he had information—because his interest would dictate to him to investigate a question of that sort—as to the amount of these machines that were brought in here in competition with the very machines he is producing. He answers that he does not think Germany or any other European country is importing to any considerable extent these older standard types of machines.

Mr. PAGE. I might say this: I have here quite a list of comparative prices of the Germans in New York, as compared with our own, on certain standard machines. I will submit this list to the committee. It shows a varying difference. In some cases their price at New York, with a 30 per cent duty, is slightly less than ours. In other cases, with a 30 per cent duty, the difference is the other way; our price is less than theirs.

I might say that, as a rule, in the case of all such machines sold in this country, quite a factor in the selling of the machines is the tools and accessories that go with them. They largely influence the selling of the machines. We believe that if this duty were taken off, because of the low cost of production in Germany, there would be an incentive for the Germans to specialize and make a drive for this line of business. We think they have the basis of getting it in their low labor costs.

Senator SIMMONS. Let me ask you this question: Do you not know as a fact, or have you not sufficient information to enable you to have a positive belief upon the subject, that a large number of these older types of standard machines of American make are now sold in Europe?

Mr. PAGE. No; they are not—quite the contrary.

Senator SIMMONS. None of them are sold abroad?

Mr. PAGE. No. A few of them are sold there; and almost invariably when they are so sold they are part of a large contract, the basis of which is the special machines.

Senator SIMMONS. Would you be willing to say that all or practically all of the five million of exports over there, or any other five millions—being about one-eighth of our total product—are new machines that we have initiated, and that Europe has not yet learned how to produce?

Mr. PAGE. Senator, the figures you are giving pertain to what are known in the trade here as strictly machine tools, as dealt with by the gentleman who preceded me.

Senator SIMMONS. I was asking you about the foreign trade in machine tools; and I was asking you if you did not know, or have information that was satisfactory to you—

Mr. PAGE. I made this statement in regard to that, Senator: I can only speak on that score as pertains to our own individual business. We export about \$250,000 a year of our product.

Senator SIMMONS. But have you knowledge about the balance? That is what I am asking you. Have you not such knowledge as is common to the trade, in reference to the character of our exports to Europe, to be able to say that a large part of the \$5,000,000 that we export there is not this new character of machinery that you speak of?

Mr. PAGE. Senator, I am trying to make it plain that we are not strictly what are called machine-tool builders. The figures you give pertain strictly to the machine-tool business. Our product, about which you have been questioning me, has not been recognized in this country as strictly a machine-tool product. Under the late rulings it probably will be so considered. The older types of machines form a very small part of the \$250,000 per year which we ship into the other countries.

Senator SIMMONS. Then you want us to understand you to say, do you, that outside of your own business, and the exports in that business, you have not sufficient knowledge of the general business of making machine tools to give to the committee any statement that would be satisfactory to yourself as to the character of this \$5,000,000 of exports?

Mr. PAGE. That is quite right. I should much prefer to allow the statement of the gentleman who preceded me to stand on that point. He is much better qualified than I am to talk on that score, because that is his business. I understood from him, however, that what he exported was principally a special line of machinery.

Senator HEYBURN. You are not included at all in this item under section 73, then, giving the import of machine tools as \$191,000? You are not included in that at all?

Mr. PAGE. No.

Senator HEYBURN. You are within the outside class, described yesterday as constituting an import of over \$10,000,000?

Mr. PAGE. That is quite right.

Senator HEYBURN. So you are not enumerated in the House report? The House seems to have been in the same position that you are; it was unable to speak as to the \$10,000,000. It is silent on that question.

Mr. PAGE. Yes. It is very difficult to compile any very definite information as to just what line of trade that covers.

Senator SIMMONS. In view of the fact that we export \$5,000,000 worth and import only about \$200,000 worth of these tool machines, is not the present duty a prohibitive duty?

Mr. PAGE. My impression is that the figure of imports that you mentioned, Senator, of \$200,000, is very wide of the mark.

Senator SIMMONS. I thought that was what the Senator just read—less than \$200,000.

Senator HEYBURN. That does not include the product of this witness at all.

Senator SIMMONS. I understand; but it includes the total of machine tools.

Senator HEYBURN. Not according to the report of the Secretary of the Treasury. It includes the class of tools enumerated in the House report, which is incorrect.

Senator SIMMONS. My recollection is that the first witness—Mr. Geier, I believe—testified that the imports of these machines into this country amounted to approximately \$200,000.

Mr. PAGE. Yes; he testified to that effect, as to strictly machine tools.

Senator SIMMONS. I say, if that is a fact, when we are consuming in this country about \$39,000,000 worth of these machines, does not that show that the present duty is practically prohibitive?

Mr. PAGE. But our machines do not come under that heading. Our machines are quite separate from that \$190,000 item. Our machines come under the larger amount specified there of ten or twelve million dollars, or something like that.

Senator SIMMONS. But you said a little while ago that your machines come under the same classification, and the duty on your machines is the same as that on the other.

Mr. Page. Yes.

We believe, gentlemen, that the effect of a reduction in the tariff, putting these tools on the free list, would result in either the loss of our business here or a necessary reduction in the wages paid for labor to more nearly meet the conditions abroad. If that were not possible, for any reason, we probably would be forced to enlarge our European factories and employ foreign labor for the making of our product and ship it to this country.

Senator SMOOT. That would be the easiest way out of it, would it not?

Mr. PAGE. That would be the easiest way out of it.

I have nothing more to say, gentlemen, unless the committee want to ask me some further questions.

Senator HEYBURN. I would suggest that the witness put in the record the complete table of comparative wages to which he has referred. He has there an extended table of comparative wages, covering a number of items.

Mr. PAGE. I shall be glad to do that.

The table submitted by Mr. Page is as follows:

Average wage paid per hour.

	Brooklyn.	Paris.
Machinists.....	\$0. 29 ¹ / ₂	\$0. 17 ¹ / ₂
Die makers.....	. 36 ¹ / ₂	. 15 ¹ / ₂
Blacksmiths.....	. 37 ¹ / ₂	. 22 ¹ / ₂
Laborers.....	. 20	. 11

It will be seen, as above stated, the cost in this country is almost twice what it is in France; and the cost in both Germany and England is practically the same as in France. It will be seen from this how impossible it would be, if the duty were removed, for us to stay in business in this country in the face of foreign competition which most assuredly would ensue.

The above facts, in addition to the fact that in our line of machinery labor averages 70 per cent of the total cost of the product, will make it, we believe, perfectly plain as

to why we would be unable to compete with foreign makers if the tariff were removed. Notwithstanding the present tariff, German competition is keen at the present time in this country in this line.

There could be only one condition on which we would be able to stay in business, and that is the reduction of wages to the same level as prevails in European countries. We believe it would be a question of paying less for labor, or not employing labor at all.

Having factories in both France and England, we might be forced to do all of our manufacturing in these plants in order to get the benefit of low cost of labor to enable us to compete.

We most strongly recommend—we believe for the good of the machine-tool industry in this country, as represented not only by the manufacturer but also by the employee—that the duty on machine tools be left as at the present time.

Respectfully,

E. W. BLISS Co.

BOIES PENROSE, Esq.,

Chairman Finance Committee, United States Senate, Washington, D. C.

Senator SIMMONS. Mr. Chairman, I shall have to ask to be excused at this point, as I have to go to another committee meeting.

STATEMENT OF MR. WALTER M. STEIN, PRESIDENT OF THE PRIMOS CHEMICAL CO., OF PRIMOS, DELAWARE COUNTY, PA.

The CHAIRMAN. State your full name to the committee.

Mr. STEIN. Walter M. Stein.

The CHAIRMAN. Whom do you represent?

Mr. STEIN. The Primos Chemical Co.

The CHAIRMAN. Where is that located?

Mr. STEIN. At Primos, Delaware County, Pa.

The CHAIRMAN. Where do you reside?

Mr. STEIN. In Philadelphia.

The CHAIRMAN. Please proceed and make your statement to the committee.

Mr. STEIN. In treating of the metals and alloys enumerated in paragraph 1 of the Underwood bill and tungsten ore, as specified in paragraph 71, it is essential to make a distinction between the products, which may be produced by means of direct smelting processes from cheap raw materials, and those which are obtained only from costly rare minerals, which must be subjected to complicated chemical processes.

To the alloys, ferrochrome and ferrosilicon, enumerated in paragraph 1, there has been added, in the Underwood bill, the alloy ferromanganese. All three of these alloys are produced by the direct-smelting process from ores which may be bought in the open market at less than \$25 per ton. While it is possible that a duty of 15 per cent ad valorem, as provided in the Underwood bill, would be sufficient to permit the profitable production of these alloys in this country, such duty would not be adequate in the case of tungsten, molybdenum, vanadium, and other similar metals and their alloys, as the following facts will show.

Senator SMOOT. Do you say 15 per cent is sufficient?

Mr. STEIN. No, sir. I say it might be sufficient for the alloys where the ores cost less than \$25 per ton.

Senator SMOOT. But you are not engaged in that particular business?

Mr. STEIN. No, sir.

Senator SMOOT. Therefore you just express that as an opinion?

Mr. STEIN. Yes, sir. It is merely mentioned as what might be. I do not want to pass on that.

Molybdenum, tungsten, and vanadium ores are produced in Spain, Portugal, Bohemia, South America, and Australia, where miners receive less than \$1 per day in wages. In Portugal and Spain (two of the largest producing countries) the wages are from 44 cents to 56 cents per day, United States gold.

A good many women are employed in Portugal, receiving from 18 to 19 cents per day; whereas the wages of the miners proper, who are men, is 38 to 39 cents as the maximum.

These ores occur in the United States in California, Washington, Oregon, Utah, Nevada, Colorado, Idaho, Arizona, New Mexico, and South Dakota. We know of no district where the miners engaged in the production of these minerals receive wages of less than \$3 per day of eight hours; that is, in the United States.

Senator SMOOT. And many of them receive \$3.50.

Mr. STEIN. Yes. Three dollars is the minimum.

In the State of Colorado, which is now capable of producing a considerable tonnage of these minerals, ordinary day laborers are paid \$3 per day, and skilled laborers receive as high as \$4.50 and \$5 per day. Practically the entire cost of the ores consist of labor charges.

In this connection I want to mention the fact that these ores do not occur like iron ores, or like coal, in continuous veins. All these rarer ores occur in ledges. As illustrating, for instance, if we take a large cake and put a few raisins in it, and cut it, we occasionally strike one. It is the same way with these ores. Then we have to go on again and extend our operations for probably eight or nine hundred feet through the hardest kind of rock before we strike more ore.

Senator SMOOT. They come in pockets?

Mr. STEIN. They come in pockets, and then you get another little bunch of ore.

Senator SMOOT. Is there no vein or lead?

Mr. STEIN. There is no distinct vein. That is, the vein matter may be there, but it loses the mineral. You may go eight or nine hundred feet without losing your vein proper, but it is not mineralized.

Tungsten ores vary in value from \$300 to \$700 or \$800 per ton, depending on the market, while molybdenum ores vary in value between \$600 and \$1,200 per ton, and we know of no vanadium ores which can be bought for less than \$1 per pound of vanadium contained in the ore. By far the greater portion of the above ores consumed in the world are produced in foreign countries, although the United States contains important deposits of all three of these ores. Through the sharp competition and low cost of production of the foreign ores it has not been possible, however, to operate the mines in this country continuously, as in a sagging market the value of the ores soon falls below the cost of production in this country.

There are between \$3,000,000 and \$5,000,000 invested in tungsten mines in the United States. These mines, if in operation, would be able to produce about one-quarter of the world's consumption of these ores, or enough to supply the entire domestic demand for tungsten. While it is deplorable, it is a fact that there is not a single large producer in operation here to-day, and the world is being sup-

plied from countries where wages are less than one-third of those paid in this country.

Senator McCUMBER. Where is it mainly being supplied from, in the case of that which is imported?

Mr. STEIN. Most of the ores to-day come from Portugal and from Bohemia, where, on account of the joint production of tungsten and tin and the high price of tin at present, the tungsten ores are recovered partly as a by-product.

Senator McCUMBER. But if I understand your table correctly, the price paid for labor in Spain, for instance, and I presume the price in Portugal is somewhat similar, is not more than about one-tenth of what is paid here.

Mr. STEIN. That is all it is. I have been over there at various times, and have visited the various mines; and they have very accurate figures as to the cost of producing, labor, etc., in the various countries. I have been working in this field for 23 years.

Senator GALLINGER. Is the mineral in these foreign mines found in pockets, just as in this country?

Mr. STEIN. It is very similar.

We therefore protest against any reduction in the duty on tungsten-bearing ores.

Since our business was established more than 12 concerns have been engaged in the manufacture of tungsten. Only three of these have survived the sharp European competition. To-day tungsten metal can be bought on the open market in Europe at a price which, with 20 per cent duty and transportation charges added, is below our cost of manufacture, based on equal ore prices, to say nothing of the 10 per cent duty on tungsten ores.

The manufacture of tungsten metal, in condensed form, is as follows:

The ores as received from the mines must be finely ground and mixed with an alkali, after which they are subjected to a smelting operation. The products of the smelting furnace, after being ground and passing through several processes of purification, including lixiviation and filtration, are precipitated with acids from their clear solutions to obtain a comparatively pure oxide. These oxides are subjected to a more or less complicated reduction process in specially designed furnaces, from which the metallic tungsten is obtained in crude form. It is then subjected to a refining process, and after grinding is ready for shipment. Besides the above there are a large number of intermediate chemical processes, all tending toward the production of a purer product or the saving of losses, the material passing through more than two dozen distinct operations or processes before it is in merchantable condition.

The processes for the extraction and reduction of molybdenum and vanadium, while not identical with the above, are also complicated chemical processes, in which the molybdenum and vanadium are extracted from the ores after smelting, and extracted in the form of clear aqueous solutions, from which they are recovered by chemical processes.

Nearly all of the chemicals and materials used in the above processes, including fuel, are subject under the present tariff to a duty of 20 per cent ad valorem or more. However, any reduction which might

be made in the duties on chemicals would not proportionately reduce cost of the chemicals which we use; as our acids, for instance, are hardly subject to foreign competition on account of the difficulty of transportation of large quantities in glass. Muriatic and nitric acid, etc., can not be transported over the ocean; that is, no steamship company would take them. A reduction in duty on salt cake, for instance, would only tend to increase the cost of our muriatic acid, which is already three times as high as the cost in Europe; and muriatic acid constitutes our largest single item of chemical expense.

Senator KERN. Is there competition in this country in the manufacture of muriatic acid?

Mr. STEIN. Yes, sir.

Senator KERN. Why is the cost so high?

Mr. STEIN. It is very largely a question of labor. In Europe the cost of labor at a sulphuric-acid plant is less than one-third what it is in this country.

Senator KERN. The labor question does not enter into the case of muriatic acid, because you could not ship it anyhow, as I understand.

Mr. STEIN. No; it would not stand transportation. The steamship companies would not take it. It is too unsafe.

Senator CLARK. I do not think I exactly understand your position. Are you a manufacturer of tungsten?

Mr. STEIN. Yes, sir.

Senator CLARK. You extract it from the ore, do you?

Mr. STEIN. We extract it from the ore.

Senator CLARK. You import the ore?

Mr. STEIN. No, sir; we buy the ore in this country. Our ores are mined in Colorado, Arizona, and California.

Senator CLARK. What importations are there? What proportion of the tungsten in this country is extracted from foreign ore?

Mr. STEIN. Just at the present time the importation is very small, on account of the severe business depression in our line of business in the United States to-day.

Senator SMOOT. In 1911 there was \$241,795 worth of it imported.

Mr. STEIN. That is about normal.

Senator CLARK. What proportion does the importation bear to the domestic product?

Mr. STEIN. At present, I should say it is one-half.

Senator SMOOT. Not quite one-half. The consumption the same year was \$386,681.

Mr. STEIN. During the past year, 1911, the production in this country has been very small.

Senator CLARK. Let me proceed a little further. You are not a miner of tungsten, are you?

Mr. STEIN. I have been connected with the opening of mines in Colorado and Arizona, and have built up the mining industry in those sections. I am thoroughly familiar with the practical part of it.

Senator CLARK. That clears up the situation in my mind as to your position. You are a miner and also a refiner of this ore?

Mr. STEIN. Yes, sir; to a certain extent.

Senator CLARK. I understood from your first statement that you were only a refiner, and I was a little bit surprised at the position you took. Now that I know you are a miner, that makes your position clear.

Senator KERN. Do I understand that there is that amount of ore imported, or the extract?

Senator SMOOT. There was \$241,795 of the ore itself imported.

Senator KERN. Where is your factory located?

Mr. STEIN. In Primos, Delaware County, Pa., and we have one factory in San Miguel County, Colo., 10 miles from Telluride.

Senator KERN. You make it there very much more cheaply, do you not?

Mr. STEIN (laughing). Senator, we have \$3.50 labor in the factory there for eight-hour work.

Senator KERN. But I say, you make it more cheaply there than you do in Pennsylvania?

Mr. STEIN. Oh, no.

Senator KERN. Does not the transportation question enter into it?

Mr. STEIN. No. We manufacture there only to a certain extent, as far as we can carry the process with chemicals to be had in the neighborhood.

Senator KERN. The labor item is more expensive in Colorado than in Pennsylvania?

Mr. STEIN. Oh, yes; very much.

Senator KERN. And the difference in the cost of labor more than overcomes the transportation charges?

Mr. STEIN. No; the reason we are working in Colorado on a concentrating proposition is to get our bulk down, on account of the high freight rates with which we have to contend. Take our ores as they come from the hills: They may vary between 1 and 2 or 2½ per cent of mineral. Sometimes the wet concentration, crushing, etc.—the regular concentration process—will not be sufficient, and we have to go into a chemical concentration to get down our bulk. It would not pay to ship 50 tons of the crude ore, as we mine it, and concentrate it at this end.

Senator HEYBURN. In other words, you could not afford to pay freight on the waste?

Mr. STEIN. It would be impossible.

Senator KERN. What is the difference in the labor in Pennsylvania and in Colorado?

Mr. STEIN. For ordinary labor, it is almost double in Colorado, up in the mountains.

The chemical-metallurgical processes above mentioned place these metals and alloys in an entirely different class from ferromanganese, spiegelisen, ferrosilicon, and ferrochrome. Two of the last-named articles are produced on an enormous scale by a simple smelting in an ordinary pig-iron blast furnace. The other two are the products of a simple smelting process in the electric furnace. They are thus obtained directly from the ores, without the use of the costly chemicals and expensive processes through which tungsten, molybdenum, and vanadium must be put. While it is possible that a duty of 15 per cent ad valorem would be adequate for the protection of ferrochrome, ferrosilicon, and ferromanganese, it is not adequate for tungsten, molybdenum, and vanadium.

Through a careful calculation of costs extending over a period of five years (a sworn statement covering which is submitted herewith), we have determined that the average cost of producing tungsten metal in our works has been 28.145 cents per pound, exclusive of the cost

of ore. The raw materials, including acids, alkalies, fuel, crucibles, repairs, etc., have averaged for the five years, according to actual cost, 13.966 cents per pound. The difference between cost of chemicals and total cost is composed chiefly of labor, including the salaries of chemists and office force, freights, etc.

We believe we are working as economically as possible in this country under present conditions, our costs being governed by the cost of our raw materials, including chemicals, and the labor costs. As an evidence that our costs are not inflated by high salaries, I will state that the highest salary paid to any individual in connection with our business is \$4,200 per year, paid to our president, who is also our general manager. All other salaries are considerably below this. It is only through the most careful buying of ore and raw materials that we have been able to stay in business as long as we have. Through judicious buying it has been possible, in "boom times," to run our business at a profit; but in normal times, and in times of depression, we can not produce at a price equal to the cost in Europe plus the 20 per cent duty now imposed.

Senator SMOOT. It is not 20 per cent; it is 10 per cent duty.

Mr. STEIN. No; on the finished product it is 20 per cent.

Senator SMOOT. I thought you were speaking of the ore.

Mr. STEIN. I am speaking now of the finished product.

Senator CLARK. Let me ask you one question there: I understand you are engaged in the mining of tungsten, as well as in reducing it?

Mr. STEIN. Yes.

Senator CLARK. What is your estimate of the expense, per ton or per pound, of mining, treating, and reducing, so as to get the pure article known as tungsten? I have understood that tungsten is worth from 75 cents a pound up.

Mr. STEIN. Tungsten is worth from \$300 a ton up. It has to be concentrated at the mine.

Senator CLARK. I do not mean the tungsten ore; I mean the tungsten.

Mr. STEIN. Tungsten metal is worth to-day, in this country, 66 cents per pound; that is, of the metallic tungsten for the chemical product.

Senator CLARK. What does it cost to produce it?

Mr. STEIN. I have here the sworn cost for five years; and the cost to-day is a little over 66 cents. During the year 1911 the Primos Chemical Co., notwithstanding the use of the greatest economy, scientific management, and everything else we could think of, and studying our competitors' methods in Europe, wastes, and everything of the kind, lost \$15,000.

Senator CLARK. Then the production of tungsten has been carried on at a loss for the last five years, has it?

Mr. STEIN. Not during the past five years, when the demand was very good and prices were considerably higher. But we are in a wrong class in this tariff act, and always have been. It is not an article that should be put in this paragraph.

Senator KERN. How many of these concentrating or producing factories are there in this country?

Mr. STEIN. Besides ourselves, there are two left, which, however, have a very small production. I do not know that either of them makes any money, or has made any money since they started.

Senator KERN. Why do they continue in business?

Mr. STEIN. Because they have every cent they have made in the business.

Senator KERN. I know; but if business under the present conditions can not be operated except at a loss, why should such business continue?

Senator CLARK. Hope springs eternal. [Laughter.]

Mr. STEIN. If it were not for the hopes, we would not be in business to-day. But we have always hoped for better things and better times to come.

Senator SMOOT. Eight out of eleven of them have gone out of business already, have they not?

Mr. STEIN. Yes.

Senator KERN. I can not imagine why they should continue if it is at a loss.

Mr. STEIN. They make a lot of other articles; we make a lot of articles. Without those we would not be in existence.

Senator KERN. How were you treated by the Payne-Aldrich bill? That is to say, how did the provisions of the Payne-Aldrich bill compare with those of the Dingley bill?

Mr. STEIN. They are practically the same. The Government always imposed a duty of 20 per cent.

Senator SMOOT. The Payne-Aldrich bill did, however——

Mr. STEIN. The Payne-Aldrich bill was the first bill in which this article was specifically mentioned. Theretofore it was not mentioned in the tariff acts.

Senator KERN. What was the duty on ore in the Payne-Aldrich bill?

Mr. STEIN. Ten per cent on the ore and 20 per cent on the finished product.

Senator WILLIAMS. You say you lost \$15,000 in 1911?

Mr. STEIN. Yes.

Senator WILLIAMS. Did you lose or make anything in 1910?

Mr. STEIN. In 1910, I think in one-half of the year we lost probably nine or ten thousand dollars, and in the other half we just came out about even.

Senator WILLIAMS. What did you do in 1909?

Mr. STEIN. 1909 was a losing year.

Senator WILLIAMS. 1908?

Mr. STEIN. 1908 was a bad year.

Senator WILLIAMS. 1907?

Mr. STEIN. 1907 was a very good year up to the time of the panic; until October it was a very good year.

Senator WILLIAMS. Taking the year as a whole, did you lose or gain?

Mr. STEIN. In 1907 we gained.

Senator WILLIAMS. About how much?

Mr. STEIN. I suppose we made easily 15 per cent.

Senator WILLIAMS. What did you do in 1906?

Mr. STEIN. In 1906 we earned, I think, 8 or 9 per cent.

Senator WILLIAMS. What did you do in 1905?

Mr. STEIN. 1905 was a good year.

Senator WILLIAMS. You made, then, about what percentage?

Mr. STEIN. It is very hard to judge what we made on tungsten.

Senator WILLIAMS. You went into business when?

Mr. STEIN. In 1888.

Senator WILLIAMS. Upon the whole, since you started, have you made or lost?

Mr. STEIN. We have made a great deal of progress. Our business has grown wonderfully. For the first five years all our tungsten production was at an absolute loss, whereas our engineering business, advisory metallurgical engineers for steel plants, blast furnaces, and assisting steel works in making high-class steel, was profitable. We received very good salaries. In fact, as far back as that I earned probably three times as much as I have since I started to make tungsten.

Senator KERN. You speak of salaries then?

Mr. STEIN. Yes, sir; as consulting and advisory engineers.

Senator KERN. We are speaking of the tungsten.

Mr. STEIN. That was the start. During the first five years it did not pay to put anything in the tungsten business in the way of fixed charges. In other words, we had an engineering office doing work for other people, and in the evenings we worked to make tungsten ourselves, up until midnight.

Senator GALLINGER. You are engaged in other business now, are you not?

Mr. STEIN. We manufacture 64 different alloys and metals and salts. For instance, the material used in a tungsten film is made by us. Our product does not go exclusively into steel by any means.

Senator GALLINGER. What I meant to say was, you are not in the attitude of losing \$15,000 absolutely, are you? Are you not making some money in other directions?

Mr. STEIN. Yes, sir. We have other articles on which we make a profit. I am just mentioning these articles which we are trying to build up a business on, and have been for all these years.

Senator HEYBURN. Are those articles you are making dependent on the tungsten proposition?

Mr. STEIN. No, sir; they have nothing to do with it.

Senator KERN. This is a kind of a side line with you?

Mr. STEIN. It is a very big line with us, because we were fixed up for large capacity, and to get down to as low a basis as possible in competition with Europe.

Senator KERN. How do you account for your loss of \$15,000 this last year and the loss the year before?

Mr. STEIN. It is very easily explained. After the panic, people economized in expensive steels, and many a shop that bought tool steel by the ton and made up the tools spent a great deal of money on them; took a tool that cost \$15 or more to make and, instead of buying a new supply of steel, destroyed this tool and worked it into another tool. In that way a very large amount of money has been wasted in false economy. Even the railroad shops have taken innumerable tools, in place of buying new steel, and changed them, in place of preserving them for that particular piece of work. It is false economy, but it has been done right along for the last few years, and it is on this account our factories have not been running near full capacity in the last few years. The demand is simply very, very slim.

Senator KERN. Is there a prospect for an increased demand?

Mr. STEIN. That depends on the business conditions of the country. We may have another year. Usually after every panic it takes about five years before you have normal times.

Senator KERN. That was not a general panic, was it?

Mr. STEIN. It had about the same effect from what I remember.

From the schedule of costs submitted herewith I call your attention to the costs during 1909, in which raw materials, exclusive of ore (composed chiefly of chemicals and fuel), amounted to 14.652 cents per pound of metal, the labor, freights, etc., amounting to 9 cents per pound actual cost of production.

Senator KERN. How many men are employed in this industry in this country?

Mr. STEIN. In normal times we run up to 125 in Primos.

Senator KERN. One hundred and twenty-five men?

Mr. STEIN. Yes, sir.

Senator KERN. I am asking you the total number of men in this country who are engaged in labor in your industry.

Mr. STEIN. That is very difficult to tell.

Senator KERN. There are only two other establishments besides your own, I believe?

Mr. STEIN. There are the ore miners depending upon us. To give you a little idea, in normal times we send probably \$50,000 to Colorado alone, which all goes into the miners' pockets. Every cent of that is money spent for wages in this country.

Senator KERN. How much did you send there last year?

Mr. STEIN. Last year it was less than \$20,000.

Senator KERN. In the work of reduction you have about 125 men employed?

Mr. STEIN. Yes; right here in the chemical business alone.

Senator KERN. That is, in the work in reduction?

Mr. STEIN. Yes.

Senator KERN. Then, how many are employed by these other factories you speak of?

Mr. STEIN. That I do not know. Very few, I suppose, because they make only one article, as a rule—one or two articles.

Senator KERN. About how many men are engaged in Colorado in mining this ore especially?

Mr. STEIN. I can not state exactly. Pretty nearly all of Boulder County, for instance, depends on the mining of tungsten ore, and they feel it very much now that the money is not coming forth as usual. In Kern County, Cal., we have similar experiences, as also in Arizona. The total amount going there now is, I think, less than \$1,500 or \$2,000 per month.

Senator GALLINGER. You have 125 men in Primos, Pa. You have another factory in Colorado, have you not?

Mr. STEIN. They have about one hundred and some odd men there.

Senator KERN. Then, do you mean you have 250 men employed in the work of reducing?

Mr. STEIN. We have 125 men employed in what we call final reducing at this end.

Senator KERN. You say you have a like number in Colorado?

Mr. STEIN. We do not figure that in the reduction. We figure that in the cost of producing the ore, because we can only go, there, up to a crude state of concentration—say, up to 60 or 70 per cent.

Senator KERN. What I was trying to get at was the number of men who are actually employed in this business of which you are speaking and who would be affected one way or the other by this tariff.

Mr. STEIN. It must be several thousand, because there are a great many individual miners who have their own little claims whose production we buy. How many men each miner employs is very hard to tell. He may employ his whole family, if he has a few sons to help him. There may be a group of them working together. As we have in very many instances a carload of concentrates is made up probably of 75 parcels, all furnished by individual men, individual miners, who own their own little claims. It is impossible for me to tell just how many were employed, whether they had any help or whether they did all the work themselves. It is very hard to tell.

Senator LODGE. Who are the consumers of that product?

Mr. STEIN. The consumers are the makers of all special steels. The electrical trade is a consumer, and, of course, the lamp trade, which is growing somewhat. They buy most of their tungsten in the form of tungsten oxide, one of the salts of tungsten. Then there is a great amount used now for fireproofing purposes, impregnating fabrics, and the railroads buy some now, too; in fact, they go as far as impregnating certain woods to make them fireproof in the construction of certain parts of the car where they can not help using wood.

Senator HEYBURN. Are they selecting that tungsten by hand sorting of other ores or by concentration of other ores?

Mr. STEIN. No; in this country we mine tungsten exclusively for the tungsten. We have no tin in our ores, except up in Alaska.

Senator HEYBURN. Tungsten is carried in quartz in the gold mines to a very considerable extent. That is not saved, I understand?

Mr. STEIN. The tungsten in the gold mines is a thing I do not like to say very much about, but in our experience with some hundreds of ores which we have tested—and we are testing every ore for any prospector or miner free of charge in our laboratory to help him along and help the production—we have never found yet a tungsten ore actually carrying gold. We have found occasionally that a band has carried gold, but never the tungsten. In South Dakota of late there has been one instance where it was not known that it was tungsten ore. There was a flat layer and a cone of a gold-bearing ore, and underneath the tungsten ore a small band, and both were taken out together, and, of course, in the assays they found a good lot of gold. They found, however, that the black stuff—they did not know what it was—carried no gold. So we found it out by going over the dump, and we bought their tungsten there.

Senator HEYBURN. You hand sort it, then?

Mr. STEIN. It is hand-sorted. We also concentrate. Most of our tungsten ores do not run over 3 or 4 per cent, and we have to concentrate these ores very carefully, requiring considerable of a plant to do it economically. As far back as 25 years ago the waste was about 50 per cent, until we got together and worked out processes by which concentration was brought up to a point where it paid to mine tungsten ore. It was always a losing game until we took hold there, and instructed the people how to concentrate the ore properly.

Senator KERN. Has there been any improvement in the processes of reduction in the past 10 years?

Mr. STEIN. Yes, sir; we have made a great many improvements in the processes of reduction.

Senator KERN. And by reason of those improvements has the cost been lessened in anyway?

Mr. STEIN. No, sir. The improvements were necessary on account of the more scientific way of working. For instance, a tungsten metal that was salable 10 years ago would be absolutely unsalable to-day. At that time the methods of analysis were not nearly as perfect as they are to-day. Most of the steel works did not employ chemists, except some of the larger ones, and we all had to learn a great deal about special steels and special alloys for electricity, to see just how much of the material we got in.

Senator KERN. Your competitors abroad have kept pace with you, have they?

Mr. STEIN. Oh, yes. The Germans are the foremost nation to-day in the world in the manufacturing of chemicals.

Senator KERN. Are they in advance of you?

Mr. STEIN. They are not in advance; no, sir. We are keeping strictly up with them, for the simple reason that we study their methods of treating ores. Without working like the Germans do in treating the waste and watching your ores in the most careful manner, it would be an absolute impossibility for us to manufacture in this country. We have to adopt German methods; we have to follow the material to the very last speck.

Senator KERN. Did you speak of any competition in Portugal?

Mr. STEIN. Oh, yes. Portugal is a much larger producer of tungsten ore than we are in this country.

Senator KERN. They do not engage in the work of reduction?

Mr. STEIN. Oh, no. It takes a great many chemists to do that.

During this same year (1909) we opened negotiations with an European firm which makes a business of treating ores for the ore miners, and submit herewith original letters from this firm, together with sworn copies of translations, from which it will be seen that during this same year in which our actual costs were 23.652 cents per pound, this firm proposed to treat our ores at a cost of about 13 cents per pound, which cost included unloading the ore, together with chemicals, fuel, cost of manufacture, packing and manufacturers' profit, and even prepayment of freight from their works to Hamburg.

Since this correspondence we have been given to understand that we could have this work done at a cost of 12 cents per pound, but we submit this particular correspondence, as it gives a comparison with the last year for which we had such detailed costs. The obtaining of these costs entailed a very considerable amount of work. Since the period covered by the costs submitted herewith we have only occasionally analyzed our costs for periods of one month, and during these periods our costs varied from 15.02 cents per pound for cost of chemicals, etc., and 16.753 cents per pound, exclusive of labor, etc.

A sharp distinction is made by railroads between our products and ferrochrome, ferrosilicon, and ferromanganese, as is evidenced by the fact that the freight charge on our products is about three times as high as that charged on ferrosilicon, ferromanganese, and ferrochrome.

In other words, three years ago the Interstate Commerce Commission withdrew all our freights on our finished product, and made our rates double first class on a material that is noncombustible, absolutely not dangerous, and after great efforts last year we got a reduction to one and a half times first-class rate.

Senator CLARK. What is the reason for making this exceedingly high rate on a noncombustible product?

Mr. STEIN. Because they consider it a chemical product requiring a great amount of material. Just to give you one instance: Receiving, for instance, our highly concentrated ores from the West, shipped to Primos, during the first years we were out there, having moved there from Philadelphia, the Pennsylvania Railroad sent out a special agent and wanted to know what became of all this material that was coming in there, whether we were hauling any to town or shipping it by the Baltimore & Ohio; and they were amazed by the fact that we used between 13 and 20 tons of raw material for every ten of material that went out. So ever since that time our rates on finished products they have followed up very closely.

Senator CLARK. Is there no special hazard?

Mr. STEIN. Absolutely none.

Senator CLARK. Do you ship it entirely in small quantities?

Mr. STEIN. No; we pack it in tin cans which are soldered, and they are packed in 1-inch wooden boxes, iron bound.

Senator CLARK. What reason does the railroad company give for this excessive cost of transportation?

Mr. STEIN. The reason is on account of loss. Our packages are very small. One hundred pounds of tungsten metal, for instance, would give a package not much larger than this bottle [indicating].

Senator CLARK. Then it is the hazard from the liability of losing the package?

Mr. STEIN. That seems to be the principal reason. I have argued the point before the Interstate Commerce Commission that they were carrying silicon to Chicago from Philadelphia, silicon worth as much as \$3 a pound, for half the rate we were paying—an absolutely dangerous material. The railroads are carrying ferrosilicon for one-fourth what we are paying to Chicago, and there is an article that may involve gases, which our products do not.

Senator CLARK. What reason did the Interstate Commerce Commission give for upholding this apparently excessive rate?

Mr. STEIN. It was a matter, I suppose, of price.

Senator CLARK. Of value?

Mr. STEIN. Of value.

Senator CLARK. Then, as I understand you, the fact is that the Interstate Commerce Commission upheld this rate because of the high value of the article transported?

Mr. STEIN. Yes, sir.

Senator CLARK. Consequently the carrier would be liable to great loss if it should be destroyed or lost in transit?

Mr. STEIN. Yes, sir; that is the argument.

Senator CLARK. In other words, it is based on the fact of the insurance which the company gives to the producer of the goods?

Mr. STEIN. Yes, sir.

Senator HEYBURN. And they charge the producer the cost of the extra care they have to give?

Mr. STEIN. Yes, sir.

Another evidence of the far cheaper production of our products in Europe is the fact that two well-known European manufacturers having works in this country do not manufacture the products which we manufacture in the United States, but confine themselves to the importation of these products from their European works.

It must not be forgotten that the greater portion of the 14 cents per pound which we pay for chemicals, etc., represents labor costs.

They have plants here; they have a staff of officials here, and they have their plants over there. They ship their material from this side.

Senator CLARK. Where are their plants?

Mr. STEIN. One is near Jersey City.

Senator CLARK. In those plants as they now are, could they produce tungsten?

Mr. STEIN. By adding a tungsten plant to it; they have no tungsten plant in this country. They have a plant here for manufacturing other chemical products.

A schedule showing the comparative costs of manufacture in this country and in Europe based on the sworn statements is appended hereto.

In the manufacture of ferrovanadium, as in the manufacture of tungsten and molybdenum, the labor in Europe costs about one-half the amount paid for similar labor in this country, and this also applies to the salaries paid in the laboratory where a large force of skilled chemists is required and in the office.

Senator KERN. Have you inquired as to the effectiveness of the labor?

Mr. STEIN. Yes, sir; we have to employ more expensive labor than they do there.

Senator KERN. More expensive labor implies more intelligent labor, does it not?

Mr. STEIN. I would not say that; no. We have to take for common labor anybody who comes along. He may be an Irishman; he may be an Italian. We have for ordinary day labor no Americans, practically, applying for jobs any more. They are used to getting better jobs, and the foreigners are practically the only day laborers we have in the East to-day. We have some negroes from the South, which is very good labor; but even they are very scarce with us.

Senator KERN. About what wages do you pay for common labor in Pennsylvania?

Mr. STEIN. From 15 cents per hour up.

Senator KERN. Up to what?

Mr. STEIN. It depends on whether a man is more intelligent than his brother or does more; from \$1.55 to as high as \$2.50.

Senator KERN. What is your average?

Mr. STEIN. I suppose the average is about \$1.85. They are paid by the hour.

Senator KERN. And they work how many hours a day?

Mr. STEIN. They work 10 hours and 10½, and Saturdays until 1, except the night men; they work 12 hours.

Senator KERN. Have you compared the earning power of the average laborer employed in America with the earning power of the average laborer employed in this industry in Europe?

Mr. STEIN. Yes, sir. I do not think we have any better men; we can not get them. They have good faithful men in those chemical works, because the work is very steady. In Europe our competitors are located in districts. To make a fine distinction, in Saxony, the lower part of the Province of Brandenburg is the seat of our competition, whereas in Westphalia, in the Pennsylvania of Germany, wages are very much higher, and they have only one tungsten plant there, which is idle to-day. They can not compete with the works in their own country, where they have youthful labor, male, up to 21 years, for 4 cents per hour and upward; over that age, 6 cents to 10 cents; whereas in Westphalia wages are probably 30 per cent higher. That is one reason the cost of living in Saxony and those other Provinces mentioned is considerably lower than in the iron center.

Senator KERN. And this one territory has devised no way of protecting itself against the lower wages of the other?

Mr. STEIN. No. That is one reason why in Great Britain, in the last 20 years, there have been probably 15 or 16, maybe 17, tungsten plants started, which are all inactive to-day. There is not one in active operation to-day in England making tungsten metal, because they could not compete, even with their labor not very much higher, but considerably higher than in those districts of Germany where the tungsten manufactories are located.

Senator KERN. And when they found they could not make money in that business they abandoned it and invested their capital in other business where they could make money?

Mr. STEIN. It was simply that much loss of capital which was in the plant. I want to say, from an economical point of view, that we very seriously considered dropping the manufacture of tungsten in this country, and before the Payne-Aldrich bill was enacted I made a special study of European conditions; in fact, we have made them every two years with the utmost care, with the purpose of locating over there unless we could keep running here at a reasonable profit. But if the duty is made 15 per cent, as provided for in the Underwood bill, there is no question we would move our manufactory over to Germany. It would mean a big loss for our customers in many ways, because just as soon as we would be gone there would be a tungsten trust, and our customers would have to pay considerably more than they are paying to-day for tungsten if it was not for our concern being the mainstay of the production.

Senator KERN. That is, the trust could be formed abroad?

Mr. STEIN. Yes.

Senator KERN. And you would go into it, of course?

Mr. STEIN. We could not help it, because the Government would force us to. It would mean, furthermore, that to-day in the production of steels going into raw material, armament, tungsten, and molybdenum and vanadium are being very important points. Take English armor plate, for instance; they have already specified some of these alloys. Our Government has not done so thus far. Even in projectiles they use tungsten to-day, and have made projectiles which are unbeaten. We do not manufacture any equal to them in this country to-day.

I wish to say that we are in wrong company in the Underwood bill, and I think the place we ought to go is under paragraph 41, under aluminum, aluminum scrap, and alloys of any kind, and barium, calcium, magnesium, sodium, and potassium, and alloys of which those

metals are the component materials of chief value. Those are chemical alloys.

The CHAIRMAN. Is that all?

Mr. STEIN. Yes, sir.

The papers submitted by Mr. Stein are as follows:

STATE OF PENNSYLVANIA, *County of Philadelphia, ss:*

Walter M. Stein, being duly sworn according to law, deposes and says that he is president and general manager of the Primos Chemical Co., doing business at Primos, Delaware County, Pa.

That under his direction and supervision a careful computation was made of the costs of producing tungsten metal at the works of the company, located at Primos, for the five consecutive years of 1905 to 1909, inclusive, as per the schedule hereto annexed, and that the costs as shown on the schedule represent the actual costs according to his best knowledge and belief.

WALTER M. STEIN.

Sworn to and subscribed before me this 10th day of February, A. D. 1912.

[SEAL.]

ELIZABETH W. DOAK,
Notary Public.

Commission expires March 10, 1913.

Cost of producing tungsten metal at the works of the Primos Chemical Co., 1905 to 1909.

Chemicals.	1905	1906	1907	1908	1909
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
Muriatic acid.....	5.306	4.692	5.659	4.890	5.100
Coal and coke.....	2.793	3.621	2.344	2.015	3.425
Soda ash.....	1.442	1.066	.914	1.002	1.810
Crucible covers.....	1.495	1.541	1.963	1.766	1.490
Nitric acid.....	.314	.141	.190	.174	.267
Charcoal, lumpblack.....	.306	.321	.365	.195	.190
Resin.....	.109		.045	.050	.117
Lime.....	.361		.238	.166	.237
Hydrofluoric acid.....				.062	.025
Tin cans.....	.112	.127	.123	.102	.109
Boxes.....	.063	.075	.151	.080	.066
Iron and steel.....				.087	.081
Paint.....					.001
Sand.....					.008
Repairs.....	.243		.221	.417	.282
Filter cloth.....	.034		.020	.033	.039
Fire brick, clay.....	.157	.081	.073	.068	.102
Siphons.....	.046		.024	.006	.023
Pipes, fittings.....	.064		.033	.013	.159
Wood.....	.021	.031	.007	.111	.056
Filter tiles.....	.080				.012
Oskum, sulphur.....	.006			.004	.003
Rose, rubber goods.....	.019		.037	.025	.060
Sundries.....	.907	.863	2.531	2.690	1.070
Hardware.....	.361		1.597	.097	.091
Expenses.....	3.223	1.594	3.186	.851	.283
Freight.....		1.174	3.306	1.779	
Salaries.....	5.271	3.389	4.474	5.675	2.837
Labor.....	5.692	6.448	7.183	6.596	6.789
Total.....	28.431	25.064	34.695	28.887	23.652

NOTE.—Average cost of chemicals and materials for 5 years, 13.966 cents per pound.
Average cost of labor, freights, expenses, and salaries, including office, laboratory, and superintendents, 14.179 cents per pound.

[Translation.]

GEOR. BORCHERS,
CHEMICAL FACTORY IN GOSLAR AND OKER,
Goslar on the Hartz, October 3, 1907.

The STEIN & BOERICKE MINING Co.,
Primos, Delaware County, Pa.

GENTLEMEN: We are in receipt of your favor of September 19.

We produce wolfram metal in excellent quality in large quantities and would be willing to work out your ores.

From good wolframium with 60 to 65 per cent tungstic acid, which is tin free and does not contain over 1 per cent sulphur, we return for each 140 kg. tungstic acid as per analysis 100 keg. wolfram metal. In the wolfram metal we guarantee an alloy of 96 to 98

per cent metallic wolfram as well as less than 1 per cent carbon. The metal is qualified for the best qualities of steel. It is delivered packed in good strong cases with soldered tin lining of each 2 hundredweight English.

Our price for the transforming is for each 100 kg. M 160,00.

After arrival of the ore here, we deliver the first metal quantities after 14 days and then regularly 3 to 4 tons per week. If the ore arrives (then) regularly you can count on this regular weekly quantity. It is not possible for us at the present to transform tungsten (scheelite).

The bills for the transformation work are to be paid for the monthly metal delivery at the end of the month.

We expect your further communications and remain, yours, truly,

ppa. GEBR. BORCHERS,
W. KISSEL.

[Translation.]

GEBR. BORCHERS CHEMICAL FACTORY IN GOSLAR AND OKER,
Goslar on the Hartz, September 1, 1909.

The STEIN & BOERCKE MINING Co.,
Primos, Delaware County, Pa.

GENTLEMEN: Referring to our conversation with your Mr. Stein of this date, we would state that we would gladly transform good wolfram ores or tungsten (scheelite) ores into metal under the following conditions:

You deliver to us good wolfram or tungsten (scheelite) ores with a minimal alloy of 60-65 per cent WO_3 and as far as possible free of sulphur, tin, and other pernicious elements, car free to Goslar.

Weighing, sampling, and analysis of the ores by the Government smelting-house laboratory at Hamburg at divided expenses.

We deliver to you in return, and beginning 14 days after the arrival of the ore here, the metal resulting from your ores and according to the quantities delivered to us up to 5,000 kg. weekly c. i. f. Hamburg. We shall deliver to you for each 140 kg. WO_3 in wolfram ores or each 145 kg. WO_3 in tungsten (scheelite) ores 100 kg. wolfram metal with a guaranteed alloy of 97/98 per cent W, of not more than 0.1 per cent C and free of tungstic acid natron.

As lowest price for the transforming we offer you for a monthly quantity of 5,000 kg. metal from wolfram ore M. 1.30, of 10/15,000 kg. M. 1.25, and of 20,000 kg. M. 1.20 per 1 kg. metal (13c per lb.). For tungsten (scheelite) ore the prices increase 10 pfennig per kg., therefore to M. 1.40, M. 1.35, M. 1.30 per 1 kg. metal.

Our conditions for payment for the transformation are bank draft or check on a German banking place after receipt of bill.

We would be pleased if you should find our offer suitable, and if it should cause you to send us very extended orders.

We remain, yours, truly,

ppa. GEBR. BORCHERS,
W. KISSEL.

STATE OF PENNSYLVANIA, *County of Philadelphia, ss:*

Karl von Friesen, being duly sworn according to law, deposes and says that he is a translator of languages and professor of the German language, and that he is engaged in teaching the German language in the city of Philadelphia.

That he has made a careful translation of the three German letters hereto annexed.

That he has attached to each of said letters a true and correct translation of same, each translation bearing the same letter as the original.

KARL VON FRIESEN.

Sworn to and subscribed before me this 9th day of February, A. D. 1912.

[SEAL.]

ELIZABETH W. DOAK,
Notary Public.

Commission expires March 10, 1913.

Comparative costs of manufacture of tungsten in Europe and the United States with ore at \$5 per unit WO_3 per ton delivered at works and a yield of 100 pounds of tungsten from each 140 pounds WO_3 .

[In cents per pound.]

	United States.	Europe.
Cost of ore required to produce 1 pound of metal.....	42	42
Duty, 10 per cent.....	4.2	.....
Cost of manufacture as per sworn statement.....	23.652	.....
Cost of manufacture, Borchers' bid (attached).....	.....	13
	74.3	55

From which it will be seen that the cost of manufacture without profit in the United States is 27 per cent higher than the cost plus profits in Europe.

Freight rates Feb. 1, 1912.

Primos to—	Ferrovandium, ferro-tungsten, ferromolybdenum, tungsten metal, and molybdenum metal, per 100 pounds gross weight. ¹	Ferromanganese, ferrochrome, ferro-silicon, and ferrotitanium, per 100 pounds. ²
	Cents.	Cents.
South Bethlehem, Pa.....	46½	17
Pittsburgh, Pa.....	56½	19
Chicago Heights, Ill.....	103½	33
Chicago, Ill.....	103½	33
Titusville, Pa.....	58½	19
New York.....	43½	17
Spartan, N. Y.....	52½	18

¹ There are no carload rates on the above.

² Carload rates on the above still lower.

[Translation of article in *Chemiker Zeitung* of January 26, 1912.]

The Portuguese mines "Mines de Wolfram de Traz-os-Montes which are for sale comprise the following possessions: Four final concessions, 1 Codaceiro, 2 Vinheiros, 3 Alaredo Ribordelelongo, 4 Monta da Fraga.

The first two are situated in Concelho de Sabrosa and in the district of Villa Real, the latter are in Concelho de Villa Real. Also 4 provisional concessions as "Descobridor legal"; 1. Prainilha, 2. Delgada, 3. Cumiera, 4. Limites de Lameares e Gache and 35 permissions for mining. These permissions comprise 3,000 ha., the 8 concessions 400 ha. The shafts opened are very valuable; there are shafts of 180 meters length, altogether about 35 drifts. Some of the veins are more than 1 kilometer long.

The Tungsten ore occurs with quartz, but also with granite. In 1911 especially much work was started and much money is needed now. From September to December, 1911, 51,048 kg.; 1910, 95,770 kg., and 1909, 21,125 kg. tungsten ore was mined. The number of laborers employed in 1911 was 314 (107 women among them). The days wages are 500 to 600 reis (1,000 reis=4 marks), 1360 reis to 380 for men, 180 to 200 reis for women. The manual labor is very cheap and therefore used for washing of the ore. The mined ore is very rich. According to a London analysis 70.56 per cent WO_3 , 0.32 per cent SnO , 3.40 per cent SiO_2 , and insoluble silicates, 0.05 per cent Cu, 13.04 per cent FeO, 0.89 per cent Al_2O_3 , 10.60 per cent Mn_2O_3 , 0.20 per cent CaO, 0.04 per cent S, and no phosphorus. The difference to 100 per cent is alkalis and oxygen (i. e. 0.45 per cent). The concentration methods are very rough, but the ore in shipments runs up to 70 per cent WO_3 (sometimes to 73 per cent). The ore is sold for 40, 40.50, and 52 francs per unit. In 1910 the ore price was 40 and 52 francs, in 1911 only 45.50 francs. The average selling price was $1/3 (40 \times 45.50 \times 52) 0.70 = 3,206$ francs per 1 ton. The total expense for office force, labor, mine timber, explosives, etc., was, from September, 1909, to the end of December, 1911, 70,840,950 reis (386,420

frances), and the mines developed very well. The tungsten ore is shipped from the railroad stations Pinhao and Alambres, the first is situated 17 kilometers, the second 9 kilometers from the respective mines. The ore is hauled by ox team from mine to station, and the price per ton is 1,600 reis to Pinhao and 800 reis to Alambres. The transportation cost from Pinhao or Alambres to Porto is 1,200 reis per ton. The mines mentioned above take the third place among the Portuguese tungsten mines.

**STATEMENT OF MR. D. E. TITSWORTH, OF PLAINFIELD, N. J.,
VICE PRESIDENT AND GENERAL MANAGER OF THE POTTER
PRINTING PRESS CO.**

The CHAIRMAN. Mr. David E. Titsworth is here representing a very large number of gentlemen interested in the printing-press proposition. State your full name, please.

Mr. TITSWORTH. David E. Titsworth.

The CHAIRMAN. Whom do you represent?

Mr. TITSWORTH. The Potter Printing Press Co., personally, and a number of printing-press manufacturers whose names I will read in connection with my remarks.

The CHAIRMAN. Where do you reside?

Mr. TITSWORTH. Plainfield, N. J.

The CHAIRMAN. Go on, now.

Mr. TITSWORTH. Mr. Chairman and Senators, I appear before you on behalf of the printing-press manufacturers of the United States to respectfully and urgently protest against placing printing presses on the free list, as proposed in section 73 of House bill No. 18642, as being a serious menace to an industry upon whose product 75 per cent to 80 per cent is expended for labor and 20 per cent to 25 per cent for material. The material used is practically all subject to duty, 75 per cent of it being pig iron.

Our situation, as concerns the labor question and the effect of the bill thereon, is practically the same as that of the machine-tool builders, which was so cogently and earnestly brought before you by Mr. Geier yesterday, and consequently I shall not trespass long upon your patience. But I desire to bring to your attention some facts which, I trust, will receive your favorable consideration upon request that the bill be so amended as to leave the present duty—now none too high—as it now stands.

Printing presses have been manufactured in the United States for at least 100 years, and at the present time are being manufactured by the following companies:

Babcock Printing Press Manufacturing Co., New London, Conn.; C. B. Cottrell & Sons Co., Westerly, R. I.; Duplex Printing Press Co., Battle Creek, Mich.; Fuchs & Lang Manufacturing Co., Rutherford, N. J.; Goss Printing Press Co., Chicago, Ill.; Hall Printing Press Co., Dunellen, N. J.; Harris Automatic Press Co., Niles, Ohio; R. Hoe & Co., New York, N. Y.; Huber-Hodgman Printing Press Co., Taunton, Mass.; Kidder Press Co., Dover, N. H.; Miehle Printing Press & Manufacturing Co., Chicago, Ill.; Potter Printing Press Co., Plainfield, N. J.; Walter Scott & Co., Plainfield, N. J.; John Thomson Press Co., New York, N. Y.; Whitlock Printing Press Manufacturing Co., Derby, Conn.

These firms represent practically the printing press industry of the United States. I do not mean to say, gentlemen, that these are all the manufacturers; there are a number of smaller ones we were not able to get in touch with.

Senator KERN. There is now a duty of 45 per cent?

Mr. TITSWORTH. Reduced from 45 to 30.

Senator KERN. And the proposition in the Underwood bill is to put them on the free list?

Mr. TITSWORTH. Yes. Printing presses are also manufactured at the present time in the leading countries of Europe, and thus far the American manufacturers, as will be shown, have not been able to meet the competition of the foreign manufacturers in the markets of the world. The exports of printing presses from Germany in 1906 was of a total value of \$2,256,000, and in 1911 \$5,080,300.

Senator CLARK. What part of that came to this country; have you any means of knowing?

Mr. TITSWORTH. I haven't that data; no, sir. Our Government reports give the exports of printing presses from United States in 1907 as \$2,080,837 and in 1910 \$2,065,299; but it appears upon investigation that the classification of printing presses in the United States Government report includes not only printing presses, but also such other machines as are used in a printing office, such as embossing presses, cutting and scoring presses, steel plate presses, bronzing machines, paper feeders, paper cutters, folding machines, gathering machines; printing-press accessories, such as motors, controllers, etc., die presses, scoring machines, wire stitchers, case-making machines, smashing machines, perforating machines, etc.

A concrete example of this was found in the exports of one of the manufacturers here represented. During the last year a foreign shipment was made amounting to \$15,000, all being classified as printing machinery. Four thousand dollars was for a printing press; the rest was all cognate machinery. As illustrative of this, I show you a circular showing 1 printing press and 16 other machines manufactured, all of which are classified by our Government as printing presses.

Senator KERN. Do you manufacture those other machines?

Mr. TITSWORTH. We do not personally; no, sir.

Senator GALLINGER. What types of presses do you manufacture?

Mr. TITSWORTH. Mostly special machinery, our own manufacture.

Senator GALLINGER. Not the ordinary newspaper presses?

Mr. TITSWORTH. No, sir.

Senator GALLINGER. What special presses do you make? Are you making, for instance, the special presses that are going to the Bureau of Engraving and Printing?

Mr. TITSWORTH. Yes, sir; I am very thankful to you for mentioning that. Last year we sent 15 presses to the Bureau of Engraving, at a cost of \$49,000 to the Government. The director of the bureau, in making his report to the Secretary of the Treasury, states that he saves about \$150,000 a year on these machines.

Senator HEYBURN. As against what?

Mr. TITSWORTH. Over what he had been using.

Senator GALLINGER. You furnished the power presses; before that they had hand presses?

Mr. TITSWORTH. No, sir; that is another classification we do not enter into. These presses were for numbering and sealing the Treasury notes.

Senator GALLINGER. Yes; I understand.

Mr. TITSWORTH. At the present time we have a mechanic in the Government Printing Office erecting what is known as a speech press,

to get ready for the campaign, to circulate the eloquence that will be spread broadcast. That will produce ten 16-page speeches an hour.

Senator HEYBURN. Is it in good working order now? [Laughter.]

Mr. TITSWORTH. Senator, I am happy to say I expect it to be in good working order at the end of this week, ready to meet any demands made on it.

Senator GALLINGER. It is strictly nonpartisan?

Mr. TITSWORTH. Yes, sir.

Senator HEYBURN. You speak only of eloquence. I did not hear you mention any other animal. [Laughter.]

Senator CLARK. You speak of making some presses on special orders. I suppose that is where the detail—I do not know the trade name for it—is furnished by the purchaser; you simply act as manufacturer?

Mr. TITSWORTH. In a way, yes, sir. But in connection with our work in the Government Printing Office and the Bureau of Engraving and Printing I can speak from our own experience. We have taken up the problems of production on these two branches so as to meet the ideas of economy which are so prevalent in these days, to see how we could produce the work in these departments at a much less cost than they have been produced before.

Senator KERN. This operative you speak of having been installed here does not have to read these speeches? [Laughter.]

Senator CLARK. That is the duty of the machine; the machine reads them itself?

Mr. TITSWORTH. No; he does not have to read them. We insist he shall not read during working hours. We have to get all we can out of him during working hours to meet even the present conditions.

Senator HEYBURN. I still am interested in knowing where that saving to the Government comes in.

Mr. TITSWORTH. I think I can explain to the Senator.

Under the previous management, before July 1, 1910, the processes of numbering and sealing Treasury notes were carried on in two different places, the number being placed on the bill in the Bureau of Engraving, the bill then being carried to the Treasury Department, and the seal put on there. The director of the bureau, feeling that a large amount of money could be saved by having this all done under his supervision and by one gang of workmen, asked us, among others, to cooperate with him in devising a machine which should perform both those operations at one time and at one handling; so that is where the saving came.

Senator HEYBURN. He saved one machine and the operation of it?

Mr. TITSWORTH. Yes.

Senator HEYBURN. But you do not claim that he saved anything on the cost of any machine that was then in use; he only saved by consolidation of the labor?

Mr. TITSWORTH. Yes, sir.

Senator HEYBURN. And the cost?

Mr. TITSWORTH. The cost of the labor; and the special machine designed to meet the conditions requisite for that.

Senator HEYBURN. Does anybody else make that machine but you?

Mr. TITSWORTH. That is a special machine we devised purposely for this work.

Senator HEYBURN. You have no competition in that machine?

Mr. TITSWORTH. We had competition at the time the order was placed.

Senator CLARK. Your machine was taken as the better fitted for the purpose?

Mr. TITSWORTH. It seemed so.

Senator HEYBURN. Was that competition local, or did you have any foreign competition?

Mr. TITSWORTH. No, sir; on that it was entirely local. We are very happy to say that so far the United States Government, in its purchase of printing machinery, has been loyal to its own manufacturers.

Senator KERN. Did any of those machines that you say were exported from Germany last year come into this country?

Mr. TITSWORTH. Not a very considerable portion. The imports, I think, as stated in last year's report, show about \$28,000; about \$6,000 duty.

Senator KERN. I was going to ask you what countries we exported printing machines to.

Mr. TITSWORTH. We export printing presses—some to Germany, some to England, some to Mexico; and among the exports from this country are counted the exports to Canada, which is really our market, being contiguous, and they are accustomed to our machinery. I think more than half of the exports of last year were to Canada.

Senator CLARK. That export, I understood you, included all these allied machines?

Mr. TITSWORTH. Yes, sir. The classification is not clear. Printing presses and parts of printing presses cover the whole range of cognate machines that are used in a printing office; except linotype machines, which have a special classification.

Senator McCUMBER. How are you able to export to Germany?

Mr. TITSWORTH. We are not able to export to Germany, Senator, excepting in cases where we have special machines which they have not yet successfully imitated. Bearing upon that point I would like to read a letter.

Senator McCUMBER. Are there any exports to Germany of what may be called the standard presses?

Mr. TITSWORTH. No, sir; they have entirely driven us out.

Senator CLARK. Is there any export of what may be called competitive machines?

Mr. TITSWORTH. No, sir; they have driven those from the open markets of the world.

Senator KERN. You do not call Canada an open market?

Mr. TITSWORTH. No; we do not consider that so, because they have tariff against Germany in addition to their tariff on our machines; and, then, we are so neighborly we really consider that our market.

Senator KERN. There are printing presses manufactured in Great Britain, I imagine?

Mr. TITSWORTH. Yes, sir.

Senator McCUMBER. Great Britain has a preferential tariff?

Mr. TITSWORTH. Yes, sir. I intended to introduce this a little later, but I will introduce it as being pertinent to the inquiries of

the Senators. One manufacturer who formerly had quite a large export trade was driven out by foreign competition and by foreign imitation. Within two years they have designed a new machine of superior output, both in quality and quantity, and have sold six of those machines in London. A letter received to-day by a manufacturer has this interesting item in connection with that machine, which I beg to read. This is written by a Berlin correspondent.

Last Tuesday I called on the technical manager of the German Government printing office and saw on his desk a photographic picture of a machine which has the identical appearance with your sheet-feed rotary. The manager told me that the picture represents the newest and first machine of this kind of Koenig & Bauer.

That is, one of the principal manufacturers in Germany.

The Miehle Co., of Chicago, have registered here a limited company with a capital of 300,000 marks, or about \$75,000.

That letter shows that before the dust from the packing cases was brushed off these new machines had been copied by the foreign manufacturers. I may state that our own company exported a special machine; we have exported five of them—two in Scandinavia, two in Great Britain, one in Paris. The last report I had from Paris was that a German manufacturer had a draftsman there copying our machine in detail; and the report from London was that the concern of Furnival & Co. had one of their designers watching our machine day by day.

Senator GALLINGER. Can you not get your machines patented?

Mr. TITSWORTH. They were machines that had no basic patents. They were simply skillful creations of ideas which had been used before.

Senator KERN. How as to the competition between England and Germany?

Mr. TITSWORTH. England and Germany—so keen that English manufacturers are either building presses themselves in Germany or having them made by contract by German manufacturers, Germany being the keenest competitor.

Senator KERN. Do you mean to say that the printing-press manufactories in England have closed?

Mr. TITSWORTH. No, sir. But to meet the German competition in the German field and the Russian field they are obliged to manufacture under the cheaper labor of Germany.

The wages per hour paid to mechanics in this industry in this country being two or three times that paid to corresponding skilled mechanics in foreign countries, as shown by the annexed schedule of labor comparison, clearly proves that without a reasonable measure of protection, at least as much as now obtains, this important industry will suffer great and irremediable loss and those employed in it will of necessity be compelled to approximate the foreign wage scale.

The printing-press industry is represented by manufacturers employing thousands of skilled workmen. They all operate independently, without any semblance of combination, trust, or price agreement, and among them competition for the American market is of the keenest kind, which tends to keep down the prices to the American purchaser to a point where the profit is nothing more than a bare manufacturing one.

I may state, in verification of this fact, that it is 34 years this next May since I entered this industry, and this is the first time in

the history of the printing-press industry, to my knowledge, that we have ever been able to get five or six of the manufacturers together to consider anything of common interest. But this menace to the industry was so great that it brought us all together, and I regret sincerely that we have not had our pictures taken, to show that once we could get together without fighting. [Laughter.]

It is claimed by theorists that manufacturing interests in this country need have no fear of the competition of foreign low-priced labor, because labor in this country, while better paid, is much more efficient and works under much more advantageous conditions, so that even at the higher wage the day's product costs less than the same product by the foreign manufacturer.

This at one time had some foundation in fact. Then the foreign press builder was still using hand labor, antiquated tools, and ancient shop methods, while the American press builder had the benefit of improved high-speed tools, designed and perfected in this country, as well as advanced shop methods, which home competition had compelled him to devise. These advantages allowed the American to compete more successfully with the foreigner's low-priced labor.

Now, however, the situation is entirely changed. The foreign manufacturer now uses our improved tools, or has built duplicates of them for himself, and has learned our latest and best methods of manufacture by introducing his men temporarily into our best-equipped shops for that purpose. This has given him all the advantages we possess of tools and methods, plus the further and vital advantage of very low-priced labor, the average rate per hour in this country being 37 cents against 14 cents per hour in foreign countries.

Senator KERN. That is, in Germany?

Mr. TITSWORTH. In Germany it is just a trifle higher. I had that tabulation here, that I will read later. But that is the average of the foreign countries, as taken from Capt. Carden's report, issued by the Bureau of Manufactures for 1910.

The mere fact that a workman was born on American soil does not make him inherently more efficient. Most of the press mechanics of this country are foreign born and foreign educated, which is proof that they are perfectly capable under the same conditions of producing work equal in quantity and quality to that produced by American workmen, so that this fallacy, which appears so cogent to the theorists, is not borne out by the facts in the case.

If now, as proposed by the above-mentioned bill, this industry is to be attacked by the poorly paid labor of foreign countries, the inevitable result will be that the wages of the labor employed upon this important industry must of necessity be materially lowered.

The name "printing press" has a wide application, and must not be confined in the reader's mind to a machine printing only from type. The name embraces all the different varieties of machines used in the art, whether printing from type, stone, or metal, or whether printing on paper, cloth, tin, or wood. In fact, practically any machine for imposing color on another substance is known as a printing press. Hence, the field, on study, is seen to broaden widely. To do widely different work a large variety of machines of many types is required, ranging from a mammoth, intricate newspaper press, through many kinds and styles, to the smallest hand press,

differing so in shape, size, and method of handling as not to be recognized by the lay mind as belonging to the same art.

I submit herewith two illustrations—one, that of a job-printing press, operated by hand and used for printing small handbills and cards; the other, one of the largest presses, called the "Duodecuple" newspaper press, capable of producing 150,000 twelve-page papers an hour—as illustrating the wide range of the industry; and if it will be of any interest to the committee, I have cuts of presses ranging all the way from one to the other.

American manufacturers of printing presses have spent enormous sums in experimenting, developing, and perfecting printing machinery not only for the production of the cheap dailies, with their enormous circulations, but also for magazine, book, color, and general job and commercial printing. To this fact is due the low cost of the daily, weekly, and monthly literature of this country, with its beauty and high quality of printing, within the means of all.

Senator GALLINGER. What is the highest-priced press, so far as you know, that has ever been produced in this country?

Mr. TITSWORTH. I do not know, Senator. One of my esteemed competitors has made that machine; but I have never been able to get him to tell. It is a pretty jealous body of men.

Senator GALLINGER. You do not make those yourself?

Mr. TITSWORTH. No, sir. I am just prompted by my esteemed friend that the price is \$100,000.

This expenditure is still going on, but could continue to no such extent if our home market were at the mercy of the foreign builder.

These liberal expenses for experiment and development enabled the American builder to perfect and produce presses which were much speedier and more efficient in every respect than the slow, poorly designed foreign machines. The natural result was the sale of these American presses in the foreigner's own territory. The foreign manufacturer promptly availed himself of the fruits of our skill and enterprise. He purchased our presses in the open market, took them into his shops, dismantled them, and used them as patterns to make exact duplicates.

As specific instances of this, I cite the experience of one American manufacturer here represented, who sold four different types of presses to one party for shipment to Leipzig, Germany. Some time after the shipment he visited Leipzig, and desiring to see how his machines were operating, he called on his customer to see about it. He was shown one press in operation. He asked where the others were, stating that he had one of his own mechanics with him and he would like for him to look them over and see if they were properly adjusted. He was told that they were all right, but were in places where he would not be admitted. His mechanic, by mingling with the local workmen, discovered the fact that the other two presses were in the shops of a foreign manufacturer, dismantled, and being copied.

I show here the experience of another manufacturer of a smaller machine, who at one time exported an average of \$150,000 worth per year. The machine was copied almost exactly, and his exports last year were \$1,000, and this particular machine is now being brought into this country, despite the duty, and is competing with that manufacturer.

There are still some American presses exported, but they are principally large and special machines which the crafty foreigner has not been able to imitate successfully.

Many instances could be cited where an American manufacturer has at large expenses tried to expand our markets by introducing his presses abroad, only to find that the foreign competitor has skillfully pirated his machine, and after robbing him of the fruits of his skill and enterprise has been able to undersell him by so great a margin as to effectually prevent him from enjoying the fruits of his own work, and this almost entirely because the foreigner has had no expense of designing and developing, and with his low labor cost he could sell with a profit at a price lower than the American could build for, let alone adding a selling expense or a profit. Two decades or so ago foreign presses for ordinary book and job printing would print from 600 to 800 sheets per hour. An American manufacturer, building a press which would more than double this output, introduced them into Europe with such success that in 1897 and 1898 and 1899 his exports averaged \$134,000 per year. The next three years his exports dwindled to \$50,000. After that he was entirely driven from the market. It was this same manufacturer who last year introduced the new machine, which, as shown by the letter introduced here this morning, is now being copied on the other side. If the bars are thrown down to foreign competition it would be of no benefit to the American people at large. The prices at which printing presses are sold has nothing to do with the ultimate cost to the consumer of the product of that press. Cheaper printing presses would not mean a cent's reduction in the price the public pays for printed matter. On the standard styles of printing presses, which form the great bulk of the purchases in this country, the printer or publisher has several sources of supply—a selection from a number of different makers—and he can always be sure of getting machinery at the lowest possible figure on a competitive basis. In fact, the competition is such that printing presses are one of the few things that have not increased in price. They continue to sell at practically the same price—or at a lower one—that they did 10 or 15 years ago, when wages were lower and hours were longer.

If our market were thrown open to the world, and it were necessary to sell at the low price of the foreigner on our own ground or go out of business, there would be nothing to maintain the splendid corps of printing-press designers and builders who, up to the present, have continued to furnish the American publisher and printer with machinery of a character and quality such as to make his product not only the best, but the lowest in cost to the public as compared with foreign conditions.

Senator CLARK. Right on that point, of course that could not occur unless you were making a profit at a rate which would bear reduction. In your own institution, which is the Potter Printing Press Manufacturing Co.—that is a corporation?

Mr. TITSWORTH. That is a corporation.

Senator CLARK. What is the capital stock of that?

Mr. TITSWORTH. \$500,000.

Senator CLARK. Is it paid?

Mr. TITSWORTH. All paid in.

Senator CLARK. All paid in?

Mr. TITSWORTH. Yes, sir.

Senator CLARK. Under present conditions, say for the last three years, what have been the dividends paid on that capital stock?

Mr. TITSWORTH. I hesitate in the presence of my competitors to say; but there have no dividends paid on the stock. [Laughter.]

Senator CLARK. Then, under present conditions, even, the industry has not been a profitable one?

Mr. TITSWORTH. It has not. There have been no large fortunes accumulated in this business at all. It is a business to-day which has, as I have stated—and it is an absolute fact—produced but a fair manufacturing profit, and it is upon such a narrow margin that adverse circumstances will prevent this or that manufacturer from making a profit at any time. I have no hesitancy in saying that I am sure I will be backed up in that by every member represented.

To allow the foreign press builder to take the fruits of American genius and bring back into this country duplicate machinery of our own devising, because of our inability to meet them in the cost of labor, would lead to no benefit to the general public; and certainly the serious crippling of the American printing-press industry would be a misfortune not only to those engaged therein, their thousands of workmen and their dependents, but to the American printing trade as well, which has reasonably looked forward to further development of printing machinery so long as circumstances offer fair reward for such development.

Senator HEBURN. How many men are engaged in this enterprise?

Mr. TITSWORTH. As near as we can judge from the people here represented, there are about 8,000. Having no organization, we have been at a loss to get accurate data from the smaller manufacturers about the country.

Senator GALLINGER. That is, 8,000 directly engaged in the manufacture?

Mr. TITSWORTH. Eight thousand directly engaged in the manufacture.

Senator GALLINGER. Then, when you come to count up your raw material and all that, it would be very much larger?

Mr. TITSWORTH. We have not taken that into account at all.

In the accompanying comparison of labor costs, the figures on the American side are compiled from the pay rolls of the manufacturers herein represented, and the foreign data is taken from pamphlets by Capt. Godfrey L. Carden, issued by the United States Bureau of Manufactures, Department of Commerce and Labor, 1909 and 1910.

Quoting from the title to the bill under discussion, we notice that one purpose of the act is "to encourage the industries of the United States." Now, with the foreigner having appropriated our designs, having surreptitiously obtained our improved shop methods, and having copied American machine tools—in fact, having taken for themselves everything but our high-priced labor—we ask in all candor and seriousness how the removal of the tariff, with its consequent protection to American labor, will "encourage this home industry"?

In considering this bill, gentlemen, it is a matter of interest and wonder to us why printing presses should have been placed on the free list. What purpose could best be served thereby? Was it to obtain revenue? That can not be, as it removes the possibility of what little revenue the imports now produce. Was it to penalize the

industry because it sends to a foreign market a few thousand dollars' worth of product exports, thus furnishing labor to its men and adding to the country's wealth whatever profit the transactions may afford? Was it because of the fact that the product of our country was inimical to the public good? This surely can not be, because the industries to which it contributes are among the greatest forces for good in our Nation.

The only solution of the question which appears in any way reasonable is that the honorable gentlemen who framed the bill inadvertently allowed this item to creep in without fully considering its true status, and we firmly believe that the consideration which this committee will give to the question will speedily result in its being stricken from the bill and the scant measure of protection it now affords be allowed still further to stand in the interests of American labor.

Senator HEYBURN. What proportion of printing machines is labor and what proportion is raw material?

Mr. TITSWORTH. Seventy-five to 80 per cent labor and 20 to 25 per cent raw material.

Senator HEYBURN. Is the raw material imported to any extent, or is it a home product?

Mr. TITSWORTH. Mostly home product—pig iron, largely—75 per cent of the product is pig iron. I have a comparison of the labor cost, which I will not trouble you to read.

The CHAIRMAN. Have that printed in the record.

Senator GALLINGER. If this bill should become a law, and you would be face to face with the proposition that you would either go out of business or reduce your cost of manufacture, have you any expectation or hope that you could make a material reduction in the price of labor in this country?

Mr. TITSWORTH. I do not see any chance of it, with the efficient continuous prodding we are getting from our friends who are supplying us the material.

Senator HEYBURN. You do not want to do it, do you?

Mr. TITSWORTH. No, sir. For one, I hate to see American labor brought down to the status of the German press builder.

Senator SMOOT. Or relatively so?

Mr. TITSWORTH. Or relatively so, or anywhere near it.

Mr. Titworth submitted the following table:

The average rate of wages paid per hour to skilled labor by the printing-press manufacturers of the United States in comparison with the average rate per hour paid in foreign countries to the same class of skilled labor.

Countries.	Foremen.	Vlsemen.	Lathe.	Milling machine.	Planers.	Drill.	Boring.	Grinding.
United States	\$0.52½	\$0.34	\$0.34	\$0.32	\$0.35	\$0.29½	\$0.34	\$0.30½
Belgium	.18	.13	.11	.08	.10	.07	.10	.11
Germany	.19	.16	.18	.14	.17	.14	.18	.15
France		.18	.15	.14	.14	.14		.17
Switzerland		.15	.13	.13	.13	.11		
Italy	.21	.14	.12	.12	.12	.12		
United Kingdom			.17	.17	.17			
Holland	.13	.10	.09	.09	.10		.09	.09

The average rate of wages paid per hour to skilled labor by the printing-press manufacturers of the United States in comparison with the average rate per hour paid in foreign countries to the same class of skilled labor—Continued.

Countries.	Erectors.	Pattern makers.	Carpenters.	Blacksmiths.	Molders.	Core makers.	Average.	Unskilled labor.
United States.....	\$0.54	\$0.40	\$0.29½	\$0.38	\$0.37	\$0.37	\$0.37	\$0.21
Belgium.....							.11	.06
Germany.....	.20	.17	.14	.18	.17	.14	.16½	.12
France.....				.15			.15½	.10
Switzerland.....							.13	.09
Italy.....							.14	
United Kingdom.....							.17	
Holland.....		.09½		.10	.09	.09	.11	

General average in United States per hour, 37 cents.

General average in foreign countries per hour, 14 cents.

The average of American wages is taken from the pay rolls of American printing-press manufacturers.

The average of foreign wages is taken from Capt. Carden's reports to the Bureau of Manufactures.

STATEMENT OF HUGH V. REILLY, OF NEWARK, N. J., REPRESENTING THE MACHINISTS' UNIONS OF THE STATE OF NEW JERSEY.

The CHAIRMAN. Where do you reside?

Mr. REILLY. Newark, N. J.

The CHAIRMAN. Whom do you represent?

Mr. REILLY. The machinists' unions of the State of New Jersey.

The CHAIRMAN. Will you state to the committee your views on this bill?

Mr. REILLY. Mr. Chairman and Senators, I desire to read first a resolution which was introduced into our executive board last Saturday evening; and it is this resolution that brings me here to-day. It is addressed to you and to the members of the committee.

The resolution referred to is printed in full, as follows:

INTERNATIONAL ASSOCIATION OF MACHINISTS, DISTRICT No. 47, Newark, N. J., February 10, 1912.

Whereas several of our affiliated locals have called our attention to certain provisions of "the steel revision bill" now before the Finance Committee of the United States Senate, which are intended to remove the present duty of 30 per cent on all printing presses, sewing machines, typewriters, and machine tools imported into the United States; and

Whereas within the confines of District No. 47, International Association of Machinists approximately 5,000 machinists and specialists are employed in the manufacture of the four articles mentioned: Therefore be it

Resolved, That we heartily indorse the protest of our affiliated locals against the passage of this bill, and recommend to all our members throughout the State of New Jersey that they take this matter up with their respective Congressmen: And be it further

Resolved, That a copy of these resolutions be sent to the Finance Committee, now having charge of the bill, to our United States Senators, and to each Congressman from the State of New Jersey: And be it further

Resolved, That we instruct our business agent to attend the hearing to be given on printing-press schedule by the Senate committee, at Washington, next Tuesday, February 13, 1912.

ALFRED EISEN, *President*.
RUDOLF WESTER, *Secretary*.

Mr. REILLY. Mr. Chairman and Senators, I do not wish to be understood as appearing before this committee as a labor representative either advocating a high protective tariff or a free-trade policy.

Representing a trade-union, I much prefer to speak from the viewpoint of the interests of my union. There are two things which directly concern us, being members of this organization, and they are our wages and the number of hours which we are compelled to work. There is another thing that always enters into our dealings with our employers and our dealings with our workmen engaged in that particular trade, and that is the labor market in general. We have noticed and found that when work is plenty, when there is a continual demand for our services, we are enabled to raise our rates, perhaps not much at each stage, but we are able to better our conditions in the shop; and if the output of that shop was limited—if, for instance, the orders which a factory was enabled to secure, no matter through what condition, were limited or curtailed to any extent at all—it would naturally result in throwing a number of men out of employment.

The machinist's industry, or the machinist's trade, is undoubtedly unlike some other industries. The carpenter, you might say, is engaged simply and solely in the construction of buildings, and the bricklayer is practically the same. But we, as machinists, might work to-day for a printing-press manufacturer, two months from now we would work for an engine builder, and six months from now we might be on linotype machines, and then again on motors or on dynamos; we might go into any one of a hundred and one industries in the course of a lifetime. Every one of these industries has its varying degrees of skill. It is pretty hard for us to establish a uniform rate, but we have been able to establish, so far, pretty nearly uniform conditions.

I want to say right here, as a whole, that we have been able to establish a little better conditions of printing pressmen than of others.

Going into the machine-tool industry, there are at least two large factories situated in New Jersey. Two of these factories have a national reputation—the Palmer Machine Tool Co. and Gould & Eberhardt. Those two concerns pay a little above the rate which is generally paid throughout the country. Gentlemen, I think Mr. Geier yesterday stated the average which was paid by the machine-tool industry throughout the United States, and if I remember correctly, his figures were something like 27½ cents. The rate paid in New Jersey, on an average, is above that; so you can see why our locals are directly interested in this matter. In the printing-press industry we have at present the eight-hour movement started. Mr. Titsworth a few moments ago stated that the average was 37½ cents. I have no figures to question that. I know the rate in New Jersey is not quite up to that; but in other sections of the country, where a much larger number of men are employed than there are in New Jersey, I know that the rate is far above that; that that rate is paid to mechanics every day who are engaged in that industry, machining, and motors, and so on.

We, as machinists, are not the only ones who are interested in this industry. There are molders and pattern makers; and naturally, as the orders come in, or the orders are stopped, in the offices of these companies, their work, or their labor market, is bound to be affected. We can not afford, therefore, to look at this whole question of taking off the tariff with any other than feelings of alarm. We have never before been bothered with a question of this kind. We do not come

here asking you men to put a tariff on our skill. We are well able to take care of that in our different trade unions. We can always take care of that. But we do not want to have markets made for our employers; and if, as Mr. Titsworth has just said, there is any prodding to be done by the gentlemen who meet him from time to time, I think those questions could be left to be settled between the individual manufacturers and their respective trades. We do not want to see the general industry hampered in any way. As a general proposition, we are opposed to it.

Through New Jersey, in the printing-press line, the rates of wages run from 32 cents up to about 34 cents an hour. That is the rate that is paid to a machinist right in the shop. The man who goes out through the country erecting these presses, naturally receive more. The foremen in the respective departments, the men who have immediate charge of the erection of the machines, naturally receive more, too. But those on whom devolves the duty of finishing any particular part do receive that rate. In my position I have often had opportunity to get in touch with men who have just come over from the other side, and I have often asked them as to the prevailing rates of wages that were paid in Germany and England and France, and while at the time I did not take a note of their answers, nevertheless I am certain of this, that the rates which they themselves have told me they received on the other side were far below those which are paid in this country. So that, looking at the question even from that standpoint, I believe that if the tariff on these industries, or these finished products, should be taken off—and in saying this I am but expressing the opinions of our members—we would sooner or later be brought down to the same level of wages as those which are paid in the other countries. We would have a still harder time to maintain anything that we may have at the present time.

That is about all I care to say on this proposition. I desire to lay these resolutions before you. There are other resolutions which will be submitted by our locals later on.

I have here copies of three different petitions, signed by something like 410 men engaged in the printing-press industry.

There is another petition which has been signed and submitted to the Senators from the State of New Jersey. This petition is signed not only by machinists, but by molders and pattern makers as well. But the machinists' trade, speaking of it as a trade and not as a particular industry, comprises possibly a good two-thirds of the men engaged in the manufacture of printing presses, and that is why we have taken the work upon our shoulders of appearing before you.

Senator HEYBURN. Who are the other third of the men employed in the manufacture of printing presses?

Mr. REILLY. They are molders and pattern makers.

Senator HEYBURN. Are there any common laborers?

Mr. REILLY. Of common laborers there are very, very few. In a shop containing 100 machinists you might find 2 helpers. They are the fellows who get hold of the castings and bring them in from the foundry, and who lend a hand to lift them up, and in a rolling mill, use the crane and bring the block to you. But the number of helpers is very, very small, indeed.

The CHAIRMAN. We will hear Mr. Davis now.

**STATEMENT OF MR. ARTHUR V. DAVIS, REPRESENTING THE
ALUMINUM CO. OF AMERICA.**

The CHAIRMAN. Will you state your views to the committee, Mr. Davis?

Mr. DAVIS. Mr. Chairman and Senators, I appear before you representing the aluminum industry, and I would also like to say a few words in regard to the bauxite mining industry, bauxite being the ore from which aluminum is produced and which is also used for other purposes than the manufacture of aluminum.

The aluminum industry has a double grievance in respect to this proposed bill. We contend, in the first place, that the framers of this bill did not attempt or intend to give us the protection to which the industry is entitled, and we contend, in the second place, that the bill was so framed that they did not even give us as much protection as they intended to give us.

Senator GALLINGER. To what paragraph of the bill do you refer?

Mr. DAVIS. Paragraph 41 contains aluminum, and bauxite is in another paragraph.

Senator HEYBURN. Bauxite is in what paragraph?

Mr. DAVIS. Paragraph 44. I will, with your permission, speak first of this second point. The present tariff on aluminum in ingots is 7 cents a pound, and aluminum in what we term semifinished form, sheet, wire, plates, and so forth, 11 cents a pound. Under the proposed bill aluminum receives, in both crude and semifinished forms, a tariff of 25 per cent ad valorem. This tariff on crude aluminum was intended to give us a protection of 4 cents a pound—that is to say, a reduction of from 7 cents a pound to 4 cents a pound. You will note on page 1437 of the Congressional Record of January 26, 1912, Hon. A. Mitchell Palmer, of Pennsylvania, in speaking of the duty on crude aluminum, said as follows:

The rate in this bill of 25 per cent is, therefore, equivalent to about 4 cents a pound on crude and to about 6 cents a pound on plates, etc.

And again, in the Congressional Record of the following day, January 27, 1912, at page 1507, Mr. Palmer said:

The result, therefore, of our cutting this duty in two and bringing the tax on aluminum down to 4 cents and on aluminum in sheets to 6 cents will simply be to slightly decrease the profits which the aluminum company has been able to make in the past.

If an ad valorem tariff of 25 per cent produces a duty of 4 cents a pound, it must necessarily follow that the import price, f. o. b. seaport, before the duty is paid, is 16 cents a pound. As a matter of fact, aluminum is being regularly imported into this country at a price of 10½, 10¾ or 11 cents a pound.

Senator KERN. From what countries?

Mr. DAVIS. From Italy, Norway, England, and Germany, from Austria, from Switzerland, and last, but by no means least, from France.

Senator KERN. At substantially the same price?

Mr. DAVIS. Practically all at the same price, yes, sir. In order that we might have something authoritative in respect to this price, I asked the Secretary of the Treasury, through the Representative of the district in which one of our works is located, to get from Mr. Loeb, the Collector of Customs in New York, some data with respect

to import prices of aluminum, and the collector, under date of February 5, 1912, addressed the Secretary of the Treasury, inclosing a letter from his appraiser, dated February 2, 1912. I shall be pleased to file, as a part of this record, this full letter, but I will read from the letter only that portion which bears immediately upon this point. He says:

At the present time the French market seems to be between 11 and 11½ cents a pound for aluminum in ingots. The English market is slightly above this, running perhaps as high as 11½ cents. During the latter part of the year 1911, the market broke somewhat, due to large quantities on hand, and some sales were made as low as 10.80 per pound for aluminum in ingots.

Senator CLARK. Is that the price in the foreign markets?

Mr. DAVIS. Yes, sir; the appraiser states that that is the price in the foreign markets. He says:

At the present time the French market seems to be between 11 and 11½ cents a pound for aluminum in ingots.

Senator KERN. That is the basis to which this ad valorem tariff applies?

Mr. DAVIS. That is the basis to which this ad valorem tariff would apply; although, of course, it does not mean that the importer will not sell his surplus product at a less price than the market in his own country; and furthermore, it does not mean—

Senator SMOOT. I would also say that the report which the Democratic committee itself made to the House shows that not only the aluminum and aluminum scrap, but that plates, sheets, bars, and rods, all told and put together, the price is 14.9 cents. So that the statement which was made by the Representative from Pennsylvania as to the value is no doubt incorrect, based upon their own report.

Senator KERN. It is not a difference of such a very large per cent; 18 or 20 per cent.

Senator SMOOT. That only amounts to enough to make a firm or break it, so that it does not make any difference.

Mr. DAVIS. It makes this much difference, Senator; it makes the difference between 4 cents and 2½ cents, which is 1½ cents to us.

I would also like to read what the appraiser says in regard to sheets—sheets, as you will recollect, bearing a higher rate of duty under the present tariff. He says:

The price of aluminum in sheets during the past six months has been between 16 and 20 cents a pound.

I also obtained from the collector of the port of New York a statement of the imports for the last three months, through the port of New York. I will not bother you to read these figures; but, for instance, taking the last month he gave me, December, importations not into the warehouses but which went direct to the consumers, from France, 10.74 cents; from Germany, 12.62; and from England, 14.

France also sent imports into this country at 10.55.

I would like to say that, entirely regardless of at what price these imports were entered, the aluminum thus imported was actually put upon this market and sold at a price of 18½ and 18 cents a pound. I know it, because I meet it every day, every hour of the day. We have all of this importation to contend with, and I know at what prices aluminum is being imported into this country.

Senator GALLINGER. How large are the importations under existing law?

Mr. DAVIS. The importations during 1909 were, I think, about 12,000,000 pounds. Then, in 1910 and 1911 the importations run between 6,000,000 pounds and 10,000,000 pounds per annum.

Senator SMOOT. For 1910 they were over 12,380,000 pounds, and the value was \$1,840,861.

Senator GALLINGER. Are your firm large producers of aluminum?

Mr. DAVIS. Yes; we are the only producers.

Senator GALLINGER. Are you interested in that great enterprise contemplated on the St. Lawrence River?

Mr. DAVIS. Yes, sir.

Senator KERN. You say you are the only producers in this country?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. How many men are employed in your works?

Mr. DAVIS. We employ ourselves between 5,000 and 6,000 men.

Senator HEYBURN. Have you given the comparative wages?

Mr. DAVIS. I have not, but I was coming to that.

Senator KERN. How many of these men are skilled and how many are unskilled?

Mr. DAVIS. You might say that in our business the men are all skilled. Of course, we have a few laborers to handle heavy work. No other business does exactly the same kind of work that is done in the aluminum industry, and we find that it takes two, three, and four years' time to educate and train our men, so that by the time we really have men who are employed in positions of importance they are all skilled men. I suppose 90 per cent of our men are men who get prices considerably above the ordinary laborer's wage.

Senator GALLINGER. About what amount of capital have you invested in that business?

Mr. DAVIS. We have invested about \$30,000,000, with a capital stock of \$20,000,000, of which about 18½ millions is issued.

Senator GALLINGER. How does it happen that you have no competition?

Mr. DAVIS. The only reason I can assign is that we make aluminum so good and sell it so cheaply that competition has never been started.

Senator CLARK. Has there ever been any attempt by others to start competition?

Mr. DAVIS. About 20 years ago, when we had the protection of some patents under which we originally started our business, there was an attempt made by one company to start the manufacture, and we obtained an injunction against them. Since that time there has been no attempt.

Senator KERN. You did what?

Mr. DAVIS. We obtained an injunction against their operating under our patents. With that exception, and since the expiration of our patents, nobody has ever attempted to start in the aluminum business.

Senator KERN. How do you account for that—solely because you manufacture so cheaply?

Mr. DAVIS. That would seem to be the only reason. There is no reason why anybody can not go into it. The field is open to anybody who wants to go in at any time.

Senator GALLINGER. Will your present capitalization be sufficient to equip that great plant at the Long Sault on the St. Lawrence River, if you are not interrupted in your development there?

Mr. DAVIS. Yes; we expect to be able to handle that.

Senator GALLINGER. With your present capital?

Mr. DAVIS. We would have to sell some bonds, no doubt, on the water power.

Senator GALLINGER. Yes.

Mr. DAVIS. I would like to say in regard to the Aluminum Co. of America, with which company I have been connected for 24 years, since its beginning, when it started in business, aluminum was selling at, I think, \$8 a pound. It was a laboratory process only by which aluminum could be made, and aluminum was only a curiosity, and was used only for jewelry and things of that kind. In fact, I believe the top of the Washington Monument was made, as a great curio, out of aluminum, and I have been told that the price paid for that aluminum was \$16 a pound.

Aluminum is the most prevalent metal on the face of the earth. I think there is something like eight or ten times as much aluminum as there is iron.

The difficulty in getting aluminum, however, is that it is impossible to smelt it or separate it from the elements with which it is found, and until the discovery of Mr. Hall, our vice president, the manufacture of aluminum was simply a laboratory proposition. Mr. Hall invented the process and our company took it up and exploited it with a great deal of trouble. For years we made no money at all, but we finally managed to work it out, and we put aluminum upon the market at about \$2 a pound, which cost us then nearly that to make, and we afterwards gradually brought the price down to \$1 and then to 50 cents, and so on; and in the meantime the people abroad who had somewhat better facilities, as I will explain, began to imitate our process. Switzerland, where no process patents are allowed, was the place where aluminum was first manufactured in competition with us, and the competition gradually spread until now there are 11 different companies abroad manufacturing aluminum. We have gradually brought the price down, and for the most part voluntarily, to about 18 cents a pound, and I can say that I am very proud to be connected with a company which has created an industry through meritorious inventions and through consistent hard work for a period of nearly a quarter of a century.

Senator HEYBURN. When you were selling it for \$8 a pound, what were they selling it for abroad?

Mr. DAVIS. When we went into business, there was no aluminum made in this country. It was all made in France by a process known as the sodium process.

Senator HEYBURN. At what price was it being sold then?

Mr. DAVIS. About \$8 a pound.

Senator HEYBURN. And you based your price on the foreign price?

Mr. DAVIS. We never sold any aluminum above \$2 a pound. I think there is quite a misapprehension in, perhaps, the minds of the Senators here and of the public at large in regard to aluminum. People think that it is an expensive metal and they do not realize the work we have done in bringing this metal down to a plane where it is one of the very cheapest of all the metals. You will perhaps be

surprised to hear me say that, with the exception of iron, aluminum is the cheapest of the common metals that we have to-day. I do not mean by that that it is the cheapest per pound, but on account of the aluminum being so much lighter than lead or copper or tin or zinc, it is only fair to compare it by the square foot of a sheet, and when you compare a sheet of this size and thickness [indicating large envelope], for instance, of aluminum with a similar sheet of copper or tin, etc., you find that the aluminum is just a shade cheaper than lead, it is 10 per cent cheaper than zinc, it is only about 40 per cent of the price of copper, and only about 15 per cent of the price of tin. So that the work which our company has done has been to produce this metal, which was only a laboratory rarity, and bring it down in price until now there is no metal which is as cheap in this country except iron.

Senator HEYBURN. Then compare the value of a plate as large as the size of the large envelope you have used for your comparison there of aluminum with the value of a similar plate made of iron or a similar metal. It would be much lighter?

Mr. DAVIS. It would be perhaps three times—

Senator HEYBURN. Take a square foot, for instance.

Mr. DAVIS. Yes; it would be perhaps three times as expensive as iron.

Senator HEYBURN. Aluminum would?

Mr. DAVIS. Yes.

Senator HEYBURN. It would take a very small quantity?

Mr. DAVIS. Aluminum is just about one-third the weight of iron.

Senator HEYBURN. One-third?

Mr. DAVIS. One-third the weight of iron.

Senator HEYBURN. Then if aluminum costs three times as much—

Mr. DAVIS. No; I mean per square foot.

Senator HEYBURN. Per square foot?

Mr. DAVIS. Yes.

Senator CLARK. You manufacture the aluminum. Do you extend the process any further than that?

Mr. DAVIS. Yes.

Senator CLARK. Do you manufacture the utensils that are made of aluminum?

Mr. DAVIS. Yes; that is another important work that our company has done. We have not only been obliged, in our history, to create the process to manufacture aluminum, but we have been obliged to create the market for consuming it, and in our efforts to make a market for our own products we have built sheet mills and wire mills and tube mills and foundries, and even carry the finishing process still further.

Senator CLARK. How long has your company been in existence?

Mr. DAVIS. Our company was chartered in 1888, 24 years ago.

Senator CLARK. And it at once entered on operations?

Mr. DAVIS. Yes; it at once entered on operations.

Senator CLARK. What was your capital stock at the start?

Mr. DAVIS. \$1,000,000.

Senator CLARK. And how much is it now?

Mr. DAVIS. \$20,000,000.

Senator CLARK. That \$20,000,000 is all paid in, and more, as I understand from you?

Mr. DAVIS. Yes.

Senator CLARK. Has that been paid in in cash, or has it grown from the business?

Mr. DAVIS. Both.

Senator CLARK. What proportion of it has grown as the proceeds of your business since 1888?

Mr. DAVIS. I could not answer that question just in that way. I think we have had about one-fifth of it in cash and four-fifths of it in profit. I should like to say, in that connection, that we have never been much of a dividend payer. Our company has been owned largely by Pittsburgh people who either did not need the money or else who, like myself, were working for the company, and were content to see the company grow. Out of 23 years we paid no dividend during 9 years; and I made an estimate some time ago that, on the capital invested, our dividends had averaged $2\frac{3}{4}$ per cent per annum. At the present time we are paying 4 per cent.

Senator CLARK. But your surplus grew, very naturally.

Mr. DAVIS. Naturally, our surplus grew; as we paid only $2\frac{3}{4}$ per cent of it out for 24 years. A company will naturally roll up quite a considerable surplus, if they keep it all in the business and let it accumulate upon itself.

Senator CLARK. Is the stock of your company generally distributed?

Mr. DAVIS. No, sir; we have a comparatively small number of stockholders.

Senator KEEN. It is held mostly in Pittsburgh?

Mr. DAVIS. Yes; we started in Pittsburgh.

Senator KEEN. I say, is the stock mostly held in Pittsburgh?

Mr. DAVIS. Yes; it is mostly held in Pittsburgh. We started in Pittsburgh, and our stock was all originally sold in Pittsburgh.

Senator HEYBURN. For what is it possible to establish a plant for the making of aluminum?

Mr. DAVIS. That is one point I am glad to have you bring out. It costs a great deal of money, relatively, so that if a company has a plant and figures up merely its operating expenses, and takes no account of the interest on investment, the operating expenses are considerably less than what would be the cost of the product if the interest on the investment were taken into consideration. Aluminum is perhaps the most difficult of all the metals to reduce, and it requires a very elaborate and expensive process, and very elaborate and expensive machinery, in order to reduce it. I have estimated that we have an investment of \$1 for every pound that we produce; but I am bound to admit that some of our investment is dead investment, looking to the future and not absolutely required for our manufacture of to-day.

Senator SMOOT. Mr. Chairman, evidently Mr. Davis can not get through to-day with his statement, because Senators will have to leave about 1 o'clock; we have other meetings. There is a gentleman here representing a labor organization who wants to put in an appearance, as he is compelled to leave to attend a meeting of the grand jury at his home, and if Mr. Davis will continue his remarks to-morrow—

Mr. DAVIS. Yes, sir; I will be glad to.

Senator SMOOT. It will not interfere with your arrangements to continue to-morrow?

Mr. DAVIS. I, of course, had expected to leave to-day, and I would not take very much longer; but I am quite subject to the wishes of the committee.

Senator SMOOT. You will have to take up the subject of bauxite, too!

Mr. DAVIS. Yes.

Senator SMOOT. Evidently you will not have time to do that.

The CHAIRMAN. I do not believe, with the best intentions, that you can get through in a few minutes. It is a very important subject, and the committee will probably be able to sit all day to-morrow and hear all the gentlemen who desire to be heard.

Mr. DAVIS. Would it be your idea, Mr. Chairman, that I would come on the first thing in the morning?

The CHAIRMAN. Yes, at 10 o'clock. Mr. James Wilson desires to be heard for a few minutes, and he has to attend a grand jury meeting, which he will be unable to do unless he is heard this evening. Mr. Wilson, will you proceed?

STATEMENT OF MR. JAMES WILSON, PRESIDENT PATTERN MAKERS' LEAGUE OF NORTH AMERICA, CINCINNATI, OHIO.

Mr. WILSON. Mr. Chairman and Senators, I come here with reference to House bill 18642.

The CHAIRMAN. You are president of the Pattern Makers' League of North America, are you not?

Mr. WILSON. Yes, sir; representing an organization of skilled mechanics. We have been at a great deal of expense in fighting through the courts and afterwards through the recent special session of Congress that has had up the question of the tariff, and we succeeded finally, after years of effort, in securing a duty of 45 per cent on patterns. Patterns are made in both wood and metal.

We find in the bill, or we are given to understand, that there is a reduction made in the duty from 45 to 25 per cent.

Senator SMOOT. Does that fall in the blanket clause of this bill?

Mr. WILSON. In the blanket clause; yes, sir. If this duty is permitted to stand, we will be up against the same conditions that we had previous to the enactment of the last tariff bill, when we had to compete with the wages that are paid in European countries. There is not a country in the world which pays pattern makers one-third the wage that the pattern makers in the United States receive. That is, on an average the wages received by pattern makers in France, Great Britain, Holland, Switzerland, Russia, and all other countries are about one-third the wages paid the pattern makers in this country.

You have had your manufacturers before you; for instance, you had the printing pressmen here this morning. We have men employed in that industry. We are necessary in the production of the printing press. We are necessary in the production of any machinery. Yet the product that we make can be imported from a foreign country and go in to help in the make-up of an article, and the only people who will suffer from its importation free of duty, or under a low duty, or whatever it may be, will be the mechanics themselves, because our product is only used in the foundries, and it is necessary to get castings from. We believe that the present duty on patterns, as provided in the Payne-Aldrich bill, is low enough. We have to contend with the importations of the pattern maker himself in this country, to a great extent. There is no duty on foreign laborers coming here, and we find many of them. Our hours are long, and we always

have a considerable number of men out of work, and at the present time, and under a favorable condition of the tariff, there are 22 per cent of our membership unemployed in this country, and we have a great number of men coming here regularly.

Senator CLARK. May I ask you, is there any importation in the work that you do?

Mr. WILSON. There has been importation, and I think there is importation now.

Senator CLARK. There are a few importations?

Mr. WILSON. There are a few importations of patterns now under the 45 per cent duty.

Senator HEYBURN. Your principal loss must be through the importation of machinery that is made from patterns abroad, because you do not have an opportunity to do any work in connection with that?

Mr. WILSON. We are not so much interested in machinery that comes in already made, because the pattern maker in the other country no doubt makes the pattern that is necessary.

Senator HEYBURN. If the machinery was made in this country, the American pattern maker——

Mr. WILSON. Would make the pattern. But it is possible to make machinery in this country from a pattern made in a European country, so that we will not make that pattern.

Senator CLARK. You are interested not only in the pattern but in the machine?

Mr. WILSON. We are interested in the entire industry.

Senator CLARK. Yes; that is it, because if the machine was manufactured abroad necessarily they would make the pattern.

Mr. WILSON. They would make the pattern.

Senator CLARK. That is true. You say 22 per cent of your membership are unemployed?

Mr. WILSON. Twenty-two per cent of our membership are unemployed.

Senator CLARK. I understood you to say earlier that there is no country where, on the average, pattern makers are paid one-third the wage that they are paid here?

Mr. WILSON. Yes, sir; that is true.

Senator CLARK. What is the average wage that is paid here?

Mr. WILSON. About \$24 a week.

Senator HEYBURN. How many men are employed?

Mr. WILSON. In the industry?

Senator HEYBURN. Yes.

Mr. WILSON. Between 11,000 and 12,000. We are awaiting statistics from the Census Bureau to find out the exact number. They are all highly skilled mechanics.

I would like the committee to give consideration to the fact that this matter has already been brought up and we would like to be permitted to file a brief in order to save time.

The CHAIRMAN. If you will send your brief to the committee it will be printed as a part of your remarks.

Mr. WILSON. We will do that.

The CHAIRMAN. All right.

Mr. WILSON. Perhaps we could have saved time if we had done that in the first place. We did not have any idea that this bill was affecting so many interests, and we only felt that after having taken

this case up originally with the Government and fighting it through the courts and losing out on a technicality, and after spending years contending on behalf of our rights, it is now unfair to our industry to have any lowering of an already too low tariff on patterns.

Senator KERN. What question was it that you fought out before the courts?

Mr. WILSON. We asked of a company in this country an increase in wages, and this company has a plant in London, and they discharged our men, or a large percentage of them, and they had their patterns made in their London shop, and imported them to this country. When we found the patterns coming, we went to the board of appraisers, and there was a technical point about the thing which I do not understand—I have a man here who has handled the matter—but, anyhow, we got the board of appraisers to give a 35 per cent ad valorem duty. The company appealed from that decision, and we fought the case up to the Supreme Court of the United States, where we had a decision rendered against us. Then patterns came in free of duty up until the time we had the amendment made in the Payne-Aldrich bill as to the duty on patterns, and since the time we have had this duty on patterns this firm in question has restored its full capacity of pattern makers, and is even paying a higher rate of wage than we had originally asked. I thank you.

At 1.05 o'clock p. m. the committee adjourned until to-morrow, Friday, February 16, 1912, at 10 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 7

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909

FIRST PRINT

FRIDAY, FEBRUARY 16, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE,

UNITED STATES SENATE

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SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

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FRIDAY, FEBRUARY 16, 1912.

**COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.**

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), Lodge, McCumber, Smoot, Clark, Heyburn, Williams, Kern, and Johnson.

STATEMENT OF MR. ROBERT E. HASTINGS, OF PHILADELPHIA, PA.

Mr. Hastings was accompanied by Mr. Stephen Hickson and Mr. Frank H. Scardefield, of Brooklyn, N. Y.

The CHAIRMAN. Please state your full name, Mr. Hastings.

Mr. HASTINGS. Robert E. Hastings.

The CHAIRMAN. Where do you reside?

Mr. HASTINGS. In Philadelphia.

The CHAIRMAN. Whom do you represent.

Mr. HASTINGS. Hastings & Co., of Philadelphia.

The CHAIRMAN. What is the product manufactured by your company?

Mr. HASTING. Gold leaf, which is included in paragraph 47 of the Underwood bill.

The CHAIRMAN. You may proceed with your statement.

Mr. HASTINGS. This is an industry, not much known generally, although it occupies some 3,000 people, the industry being pursued in 11 States. It is used only in the decorative arts, such as book-

binding, frame gilding, and decorating. You have examples of it right before you in the titles of the books and the mirror on the mantelpiece.

These people are vastly underpaid at present. It is a very highly skilled trade—much more so than any other trade in the country, I think. A boy comes to us at 16 or 17 years of age, and at 21 he is given journeyman's wages, but he is not a skilled mechanic for four or five years after that.

The Germans are very fond of this industry. They have driven it entirely out of England. London, with a population of 4,000,000 people, has not a factory with more than four or five employees in it. France having kept out the Germans, Paris has several factories of 125 persons. In our own factory, located in Philadelphia, which has a population of a million and a half, we have about 250 people. We are very jealous therefore, fearing that we may be placed in the same condition that England is now in.

The CHAIRMAN. How many factories are there in the United States?

Mr. HASTINGS. There are several hundred. They are mostly small. It is very hard to get that information, because there is no inducement for a young man to learn the business at twelve or fifteen dollar wages, and they go to their homes and work long hours with their families.

Senator JOHNSON. Is this statement correct—that under the Payne tariff the ad valorem duty was 38.65 and under the Underwood bill it is 35, a small reduction?

Mr. HASTINGS. To show you how illy prepared the Underwood bill is, I will state that the duty really is 40 per cent. The goods come in here from Germany, valued at \$4.25 a package, and the duty on that is \$1.75, which is about 40 per cent; not 30. The proposed reduction would make a difference of 26 cents on each little package of 500 leaves, 3¢ by 3¢. A man and woman can produce only 10 of those packages during a week, so that the reduction proposed by the Underwood bill would amount to \$2.60 per week for the work of a man and woman. As the woman only gets an average of \$6 a week now, nothing could be taken from her wages. It would mean, therefore, \$260 off in wages of the skilled mechanic, who is now getting only twelve or fifteen dollars a week.

Senator HEYBURN. What do you say the duty is under the present tariff law?

Mr. HASTINGS. It is a specific duty of 35 cents per 100 leaves, which is \$1.75 on a package of 500. Such packages are invoiced at \$4.25 from Germany, so it amounts to about 40 per cent, Senator.

Senator HEYBURN. It is proposed to reduce that to 35 per cent?

Mr. HASTINGS. Yes; which reduction would make a difference of \$2.60 per week on the product of a man and woman.

Senator HEYBURN. \$2.60 per week on the product of a man and woman?

Mr. HASTINGS. One man and woman.

Senator HEYBURN. That is, two persons?

Mr. HASTINGS. Two persons. But the woman now receives an average of only \$6, so that you could take nothing from her wages, and the whole \$2.60 would come off the man.

We are exceedingly exercised with regard to this change to an ad-
valorem duty.

Senator HEYBURN. First, what is the production of this commodity
in dollars and cents?

Mr. HASTINGS. It is very hard to find out, on account of the ex-
istence of all these little factories. They will not tell. There is no
association.

Senator HEYBURN. At what do you estimate it?

Mr. HASTINGS. I should think two or three million dollars.

Senator HEYBURN. In the United States?

Mr. HASTINGS. In the United States.

Senator HEYBURN. How much is imported?

Mr. HASTINGS. Prior to 1905 there was nothing imported, but by
some rearrangement of wages in Germany, or something of the kind,
they commenced to send the product into this country in 1905. It
started at \$53,341; the next year it was \$81,466; the next, \$234,164.
Then hard times—dull times—came along, and the importation
dropped to \$95,000, \$67,000, and \$55,000. For 11 months of the last
year, which was all we could get, it was \$54,000. They have im-
ported in those years over \$642,000 worth.

Senator HEYBURN. Is it all of the same quality? Does it contain
the same percentage of gold?

Mr. HASTINGS. We think the Germans have a way of beating it a
little bit thinner, but we can not get at that.

Senator HEYBURN. I mean as to fineness.

Mr. HASTINGS. No; the Americans work a finer quality, to a per-
centage of a carat.

Senator HEYBURN. How pure is the American gold?

Mr. HASTINGS. Very nearly 23 carats—22½, say—24 carats being
pure.

Senator HEYBURN. Is the imported gold leaf as pure as that?

Mr. HASTINGS. We think not.

Senator HEYBURN. Do they make something, then, by alloying it?

Mr. HASTINGS. They make some little by alloying it, undoubtedly.

Senator HEYBURN. Or perhaps they use gold that contains a nat-
ural alloy. Then, really, the difference between the labor and the par
value of the gold, so to speak, represents the difference between its
price as gold and as a manufactured article?

Mr. HASTINGS. The difference between the Germans and ourselves
on this particular product is all in the cost of labor; because gold,
you know, is of the same value in every country of the world. The
basic metal is of the same value everywhere. It is a question of
labor only.

Senator HEYBURN. If they use gold that is not quite so good as
yours—

Mr. HASTINGS. That amounts to a few cents, of course. They
could not alloy it to any very great extent, but they do a little, and
in the aggregate it makes quite an item.

Senator HEYBURN. Then it is a question of labor. Now, give us
that item.

Mr. HASTINGS. It is a question of labor. Which item do you mean,
sir?

Senator HEYBURN. There is no great cost of transportation con-
nected with it, is there?

Mr. HASTINGS. I was going to touch on that point, because one thing we labor against here is the nominal cost of transportation. These little packages of 500 leaves contain about 24 cubic inches, being 4 by 4 by $1\frac{1}{2}$; and they can be landed from Germany here for 3 cents. So the cost of transportation is infinitesimal. Then, again, it comes all put up, ready to go right into the hands of the consumer, no additional American labor being required. It is just passed out, ready for sale.

Senator HEYBURN. How much labor is there in it?

Mr. HASTINGS. Our labor is about 86 $\frac{1}{2}$ per cent.

Senator HEYBURN. Is it all hand work?

Mr. HASTINGS. The earlier processes are done in some factories by machinery, when the leaf is thick; but when they get down to the thin part it is all done by hand.

Senator HEYBURN. Is all gold leaf, such as that used on the frame of the mirror in this room, finished by hand?

Mr. HASTINGS. All of it. As you seem to be interested in that, I would like to say that the reason is that you can not hurry the latter process.

Senator HEYBURN. We must be interested, because that is what we are here to inquire about.

Mr. HASTINGS. It is a little scientific. You can not hurry the process as it gets thinner. Therefore, while you could do it by machinery, you would need a machine for every man.

Senator HEYBURN. What do you pay the gold beaters?

Mr. HASTINGS. They are down to twelve to fifteen dollars per week, on account of the Germans already being in the market.

Senator HEYBURN. Twelve to fifteen dollars a week?

Mr. HASTINGS. Yes, sir.

Senator HEYBURN. Where do you get that labor?

Mr. HASTINGS. We raise it and train it.

Senator HEYBURN. Must it all be trained?

Mr. HASTINGS. Oh, yes.

Senator HEYBURN. Do you mean to say that men are being trained through several years in order that they may earn twelve or fifteen dollars a week?

Mr. HASTINGS. That is unfortunately so.

Senator HEYBURN. They can earn more than that on a farm, can they not?

Mr. HASTINGS. You heard here yesterday how machinists working in printing-press factories were getting 37 $\frac{1}{2}$ cents an hour. The president of the pattern-makers' union told you that 22 per cent of them were out of work, and yet that the balance of them were getting \$24 a week.

Senator HEYBURN. What do the Germans pay?

Mr. HASTINGS. Six and eight dollars per week.

Senator HEYBURN. Would it result in increasing wages in this country if we either retained the present duty or raised it?

Mr. HASTINGS. If you would raise it, of course, we could afford to give these skilled mechanics more. But we thought it was absolutely ridiculous, with the current sentiment of the country, to come before you and ask an advance, which is what we really should have.

Senator HEYBURN. I want to know what kind of men and women

these are that will work for that much at a skilled trade. Are they natives, or are they foreign-born population?

Mr. HASTINGS. They are mostly natives. Very many of them are of German descent. I want to clear your mind on one subject, because that is something that has caused us a great deal of difficulty. We can not get a man who has been receiving three or four dollars a day to send his boy to learn this business.

Senator HEYBURN. I am not surprised at it. A man who would send his boy to learn a trade in which, after five years' experience, he could earn \$15 a week, would not have very good judgment.

Mr. HASTINGS. I think I can make it clear to you. The boys we do get are the sons of men in the earlier stages of American civilization, who are getting from a dollar and a half or a dollar seventy-five to two dollars a day; and they look forward to \$15 a week as quite a wage. But when they become men, and receive that \$15, and come in contact with the carpenters and masons who are getting three and four dollars a day, they become very much mortified.

One of my men said to me not long since that he was ashamed to tell anybody what wages he got, because his next-door neighbor was a carpenter who was getting three or four or five dollars a day. He said he was ashamed to say that he was getting only \$15 a week. But he had advanced along the scale of American civilization since he was a boy. We are dependent on the children or sons of men who are not up in the \$4-a-day class.

Senator HEYBURN. What do you mean by "children"? Give us some idea of their ages.

Mr. HASTINGS. A boy commences at 16 or 17 years of age. We do not work children, if that is what you mean.

Senator HEYBURN. Those people can pretty nearly earn a day's wages in the mines. I want to see whether or not there is anything here worth protecting.

Mr. HASTINGS. I should like to assure you that there is. We do not come before you with any visionary ideas of what might happen; but I have brought with me for your perusal, if you care to see it, an actual purchase by my own firm of 200 packages of gold leaf from Germany, with the bill. The second of exchange paid the bill for the exact amount as rendered.

Senator HEYBURN. What does it show?

Mr. HASTINGS. It shows that this package of gold, delivered in our office, all duty paid, cost \$5.96, as against our cost of \$6.50 at this low rate of wages.

Senator HEYBURN. You could not afford to pay any higher wages than you do, I suppose?

Mr. HASTINGS. We could not do it and stay in business.

Senator HEYBURN. I think the general sentiment is that the part of this matter we feel called upon to inquire about is the relation it bears to wages. The wage item in your business does not seem to be a very important one to the man who earns the wages.

Mr. HASTINGS. It is important to him in this way: He is so trained that at his time of life he could not go out into any other business.

Senator HEYBURN. That means that he is crippled. If he has learned your trade and that unfits him for any other business I suppose we would have to protect him in it as we would protect him in a hospital. But it does not seem to me that a business that will afford

wages only to the extent you have testified is a very rare one, or one that requires much consideration.

Mr. HASTINGS. The point we want to make is that prior to the Germans coming in these men received very fair wages. They used to receive \$22 a week prior to the Germans coming into the market. If you open the door wide, as the Underwood bill proposes to do, they will either have to give up or take still less.

Senator HEYBURN. Do you consider \$22 a week proper wages for skilled labor?

Mr. HASTINGS. I consider that a very fair wage.

Senator HEYBURN. You do?

Mr. HASTINGS. I do.

Senator HEYBURN. Where are you operating?

Mr. HASTINGS. In Philadelphia.

Senator HEYBURN. When you talk about paying \$22 a week for skilled labor it is rather a novelty to those of us who are accustomed to having skilled labor paid some kind of compensation for the work it does.

Mr. HASTINGS. Of course if you ask me what my choice is I should like to give them \$5 a day. But I think the average skilled laborer who can get \$22 a week right along is a fairly paid man.

Senator HEYBURN. What do machinists get in Philadelphia?

Mr. HASTINGS. I do not know.

Senator HEYBURN. What do engineers get?

Mr. HASTINGS. Do you mean engineers who run the ordinary turning machinery?

Senator HEYBURN. Yes.

Mr. HASTINGS. I should say an average of \$18 or \$20 a week.

Senator HEYBURN. What do engineers on the railroads get?

Mr. HASTINGS. I do not know. They are very highly paid, because it is a very dangerous occupation.

Senator HEYBURN. If this duty were reduced from the existing rate of 35 per cent ad valorem, would it cause you to reduce wages?

Mr. HASTINGS. Either that or the imports of German leaf would certainly jump 100 per cent at once.

Senator HEYBURN. How much capital have you invested in the business?

Mr. HASTINGS. It is a firm; not a company.

Senator HEYBURN. Whatever it is, how much capital is invested in it?

Mr. HASTINGS. I do not know that it is proper for me to state that. You might as well ask me how much it costs me to live.

Senator HEYBURN. You are appealing to Congress to grant you relief on the ground that if this measure were adopted it would destroy your profits. If you want us to be candid with you it would seem that you ought to be candid with us. We must have facts.

Mr. HASTINGS. What facts do you wish?

Senator HEYBURN. I asked you how much capital was invested in your enterprise?

Mr. HASTINGS. About \$350,000.

Senator HEYBURN. What dividends do you pay?

Mr. HASTINGS. Our establishment is a firm. We pay no dividends.

Senator HEYBURN. What are your profits?

Mr. HASTINGS. That I decline to answer for public use.

Senator HEYBURN. And yet you expect us to——

Mr. HASTINGS. You do not suppose I am going to state that, do you? You might as well ask me how many children I have, or how many grandchildren, and all that. What has that to do with it?

Senator HEYBURN. When you come here asking for relief at the hands of this committee, the committee is entitled to know the facts in regard to your profits.

Mr. HASTINGS. I do not think the committee is entitled to know my personal affairs.

Senator HEYBURN. They will probably judge your case, then, according to the testimony that they have, and not give consideration to that which they do not get.

Mr. HASTINGS. I am speaking for 3,000 people employed in the business; not simply for Robert E. Hastings.

Senator HEYBURN. That is all right. The question is whether your business will stand a reduction in the tariff.

Mr. HASTINGS. I assure you it will not, and I demonstrate it by producing these German bills.

Senator HEYBURN. Yes; you produce a bill from Germany. I am not antagonistic to your position. I am in favor of retaining the duty.

Mr. HASTINGS. I understand that fully.

Senator HEYBURN. But if you are going to get support for that position in Congress, Congress will want to know the facts. They will want to know whether or not you are making an inordinate profit.

Mr. HASTINGS. If you will just reverse the position, Senator, and suppose you were on the stand and were asked to state how much money you had and what your annual income was, to be published in the record here and through all the papers, do you think you would answer the question?

Senator HEYBURN. A great many other gentlemen, representing positions similar to yours, have done so without any hesitation.

Mr. HASTINGS. Have they told you what their annual incomes were?

Senator HEYBURN. Yes; they have told us what their profits were, and what their dividends were, what surplus they had, and all about it.

Mr. HASTINGS. Those were companies, not firms.

Senator HEYBURN. That does not make any difference.

Mr. HASTINGS. I think it makes a very great difference.

Senator HEYBURN. It is all right. You do not have to answer.

The CHAIRMAN. You do not have to answer the question, Mr. Hastings.

Mr. HASTINGS. I do not want to be unfair; but I think what my personal income is hardly has any bearing on the tariff required to protect the work of 3,000 working people.

I should like to state just one thing more: This product enters in no way into the cost of living of people who are not able to indulge in luxuries. As I said before, it is used only in bookbinding and decorating and frame gilding.

The CHAIRMAN. There is plenty of competition in the business, is there?

Mr. HASTINGS. Lots of it, sir.

The CHAIRMAN. Are your profits, or are they not, the usual profits in the business?

Mr. HASTINGS. They are very much below the profits of almost any other business. I might state, as a personal matter, that I have been at the head of our company for 46 years, and I am still in business. I am not ready to retire.

The CHAIRMAN. I do not refer to your individual business, but to the business throughout the country. Is it one in which the profits are unusually large as compared with other lines of business?

Mr. HASTINGS. They are unusually small. Ninety per cent of the people manufacturing gold leaf to-day are working at the block themselves, in small places. They are not acting as employers, but are just working for wages. The German wages are 83 cents on 500 of these leaves, and the American wages are \$1.80.

The CHAIRMAN. Can any of this work be done at home, or has it all to be done in the shop?

Mr. HASTINGS. A great many of them work at home. I should say 50 per cent of the work is done at home.

The CHAIRMAN. So that while the wages are low, it is home work that boys and young men can do?

Mr. HASTINGS. All members of the family work. It is not so in our factory, of course, but I mean in the smaller ones.

Senator JOHNSON. What is the total amount of production in the whole country?

Mr. HASTINGS. Another Senator asked that question. So far as we can estimate, it must be from two to three million dollars' worth, I should think.

Senator JOHNSON. And the importations for 1911 were \$40,395?

Mr. HASTINGS. The bill prices for 11 months are all we have in 1911. The Treasury Department has not been able to give us the figures for the last month. For 11 months, according to the bill prices, it was \$88,652. But you have to add the duty to that to make the selling price. You know they have to pay the duty, Senator. As reported by the Treasury, the import price is without the duty.

Senator JOHNSON. I understand.

Mr. HASTINGS. Adding the duty, it was \$54,112.

Senator JOHNSON. But the amount of importations is given here for 1911, and the value of the amount imported.

Mr. HASTINGS. Yes. That is exclusive of duty.

Senator JOHNSON. And the equivalent ad valorem is 38.65?

Mr. HASTINGS. No; it is 40 per cent. That is a little error.

Senator JOHNSON. If it is stated correctly here, there is no mistake.

Mr. HASTINGS. It is not stated correctly. It is a 40 per cent duty.

Senator JOHNSON. If the quantity imported and the values are stated correctly, the ad valorem duty, 38.65, is correct.

Mr. HASTINGS. All I can tell you is that these goods are invoiced at about \$4.25, and the duty is \$1.75; so that is about 40 per cent. I want for just one moment to show you how mistakes are made in the Underwood bill. The next paragraph deals with silver leaf, in the manufacture of which we are not interested. They reduce that from 35 to 15 per cent, I think. They say it is 35 per cent. The fact of the matter is that silver leaf is billed at 58 cents from Germany and it pays a duty of 50 per cent, which is an 86 per cent

reduction. I merely quote that to show that the bill was hurriedly prepared.

Senator JOHNSON. It is very easy to get the amount of your importations and the values as given by the department, and the division gives the ad valorem. There may be a mistake made in giving the values, but when the division is made it is correct.

Mr. HASTINGS. I started to say that we are very much exercised about changing to an ad valorem duty, because anybody who has ever traveled in Germany knows that the first question asked when you make a purchase is, if you are an American, "What do you want this billed at?"

Senator HEYBURN. That is, they want to give you two bills, do they?

Mr. HASTINGS. Certainly; if you are an American you are always asked that question, Senator.

Senator HEYBURN. Yes; I can vouch for that.

Mr. HASTINGS. So the change to an ad valorem basis is a very dangerous change for the Government.

Senator JOHNSON. Is it in the interest of the Government that you appear here?

Mr. HASTINGS. I am interested, as an American, in my Government; yes, sir.

We have prepared a brief, Mr. Chairman, in which everything I have stated is fully elucidated; and if you will permit me to file it, I should like to do so.

The CHAIRMAN. The brief will be printed as part of your remarks.

Mr. HASTINGS. If the members of the committee are sufficiently interested, I will have a copy of the brief mailed to each member.

The CHAIRMAN. They will have copies of the hearings, and it will be printed in the hearings. Is that all?

Mr. HASTINGS. That is all I have to say, unless anyone wants to see this German bill.

The CHAIRMAN. We know the substance of it.

The brief submitted by Mr. Hastings is as follows:

PARAGRAPH 177—GOLD LEAF.

The manufacturers and journeymen and women employed in this industry, located in 11 States and numbering about 3,000 persons, desire to enter a special plea that no change be made in the duty as applied in the present law for the following reasons:

1. That while there seems to be a feeling extant to try a lower tariff, we feel assured such feeling has been created by those trades or industries that have raised their wages to \$4 a day and upward, thereby adding to the cost of all work done to such an extent as to have created the present situation, and we desire to call your attention to the fact that, owing to German competition, even at the present duty, the highest wages that can be obtained in this industry are \$12 to \$15 a week for men and an average of \$6 for women, with periods of short time, thus reducing even that rate of wages.

2. Gold leaf is imported into the country largely from Germany, completely packed and put up ready for sale, requiring no additional work done by Americans after it reaches this country.

3. The value per cubic inch is so great, compared with other articles, that the cost of transportation to this country is so small that it adds hardly anything to the price; for example, 24 cubic inches is worth \$4.25 without duty and \$6 with duty, the transportation costing but 3 cents on this amount.

4. Should the duty be reduced in the slightest, the wages in this country will have to be correspondingly reduced, which will then offer no inducement for

anyone to learn the business, and those already in it will be compelled to leave it as other opportunities for employment offer themselves.

5. At \$12 to \$15 a week, the cost of producing 500 leaves 3½ by 3½ inches is \$8.50, while the Germans offer this at present for \$6 delivered in this country, paying the duty, \$1.75, and that there may be no doubt in your minds in regard to this competition at the present time a bill is attached from Germany and a duplicate of exchange (original having been remitted), showing its payment by the consignee exactly as rendered. The 3,510.60 marks costing \$842.54 and duty \$350, making \$1,192.54 for the invoice of 200 packs, or \$5.96 per 500 leaves, 3½ by 3½ inches. This evidence you will at once see is indisputable.

6. As a further proof that the Germans already have a good share of this market we give below the amounts imported annually, said amounts being exclusive of duty, so that to show what share they now have of the market about 40 per cent must be added. The amounts reported by the United States Treasury are:

	Imports.	Duty.
June 30, 1905.....	\$38,101.00	\$53,341.40
June 30, 1906.....	58,190.00	81,466.00
June 30, 1907.....	167,263.00	234,168.20
June 30, 1908.....	68,417.00	95,783.80
June 30, 1909.....	48,259.60	67,563.44
June 30, 1910.....	30,902.00	55,862.80
June 30, 1911 (11 months).....	38,652.00	54,112.00

Every \$40 of these imports represent the work of one man and one woman for one week.

7. With these positive facts before you, we trust you will realize that this industry is not one of those receiving such remuneration as to need readjusting and that any change, however slight, will seriously reduce the wages in an industry already receiving low wages compared with others, and this because of German competition already existing.

8. It might be said that gold leaf is purely a luxury, being used only in bookbinding, picture framing, and decorating, and adds no burden in any way on those not being able to afford such luxuries.

9. The comparative wages, as nearly as can be ascertained, are as follows:

	United States.	Germany.
Per each 100 leaves (3½ by 3½ inches):		
Gold.....	\$0.80	\$0.80
Men.....	1.356	1.12
Girl (booking).....	.10	.03
Sundry expenses, such as rent, power, light, etc.....	.044	.03
	1.30	.98
Credit for beating thin, goes to employees.....		1.15
	1.30	.83

¹ Team of man, boy, and girl.

² This credit goes to manufacturer.

Germany thus produces 100 leaves at 47 cents less than can be done in the United States.

10. No American-made gold can be exported, not even to Canada, for reasons previously given in detail.

We therefore pray that you permit paragraph 177, gold leaf, to remain as at present.

ROBERT E. HASTINGS, *Chairman,*
Philadelphia,
STEPHEN HICKSON, *New York,*
FRANK H. SOARDEFIELD, *Secretary,*
28-30 Marcy Avenue, *Brooklyn, N. Y.,*
Representing Gold Leaf Industry of the United States.

The CHAIRMAN. Mr. Davis, representing the Aluminum Co. of America, was proceeding when the committee adjourned yesterday.

**CONTINUATION OF STATEMENT OF MR. ARTHUR V. DAVIS,
REPRESENTING THE ALUMINUM CO. OF AMERICA.**

MR. DAVIS. Mr. Chairman and gentlemen of the committee, I do not remember just where I left off yesterday, but I think I was starting to give a little description of the method of manufacture of aluminum, and the source from which it is obtained. This point is of interest as showing that aluminum, although it is one of the cheapest metals, as I explained yesterday, is nevertheless a very highly finished product. Most metals are either found native or are easily smelted by ordinary coal or coke heat. But although aluminum is one of the most widely distributed metals, one of the most commonly found in the earth's surface, nevertheless the difficulty of reducing it is so great and it requires so much labor and so much apparatus, and so many different processes, that when aluminum is finally produced it is a very highly finished product.

The raw material from which aluminum is made is bauxite, an ore or clay which is found in this country only in Arkansas, and in Georgia, Alabama, and Tennessee. The value of bauxite in the ground is comparatively little. The value of bauxite property has been gradually increasing as the importance of the aluminum business has advanced; but 50 cents a ton, or at the outside \$1 a ton for a specially high grade or well located deposit, is the extreme value of bauxite in the ground. So far as our own company is concerned, we are paying a royalty on most of the bauxite that we are mining on royalty of about 25 cents per ton.

We take this bauxite, which is worth 25 cents or 50 cents or a dollar a ton, and make it into a product which is worth \$350 a ton. It follows that unless there are some very expensive raw materials or ingredients used and consumed in the manufacture of aluminum, in order to make this difference between the cost in the ground and the cost of the finished product, a great deal of labor must be used. As a matter of fact, the other raw materials which are used in the manufacture of aluminum are also of comparatively small value. We use about 5 tons of bauxite to 1 ton of aluminum, probably 5 tons of coal to the ton of aluminum, 2 or 3 tons of limestone, perhaps a ton of soda ash, and perhaps a ton of carbons.

Limestone is almost worthless in the ground. Limestone is worth about 35 cents a ton on board of the cars, which practically represents the labor that is required to get it out. Carbons are a very highly finished product themselves, requiring a great deal of labor to produce; but they are made from petroleum coke, which is the residue from the refining of petroleum oil, and which is worth at the refinery about \$5 a ton. Soda ash also is a raw material originally, in that it comes from salt wells in the ground. So that I think perhaps it is a fair statement that there is no metal which requires in its production so much labor per ton or per cubic foot as does aluminum.

One of the important factors in the manufacture of aluminum, and perhaps in one sense the most important factor, is electric power. Aluminum can only be reduced by electricity. Consequently, the aluminum manufacturer has to locate on the cheapest water power he

can get. But a water power in itself is, in reality, nothing much more than labor.

In the case of the water power which we have at Massena, N. Y., we estimated at one time that the cost of that water power—which was something between \$5,000,000 and \$6,000,000—was 80 per cent labor.

I should like to speak for just a moment about the comparative advantages which the foreign producer has over the American producer. Although we invented the business and created the industry—

Senator KERN. Before you go into that, will you not give us a general idea as to the processes employed?

Mr. DAVIS. I shall be very glad to do so.

Senator KERN. Where is bauxite found?

Mr. DAVIS. Bauxite is found in this country in the central part of Arkansas, about 25 miles south of Little Rock. The only other locality in which it is found is in that district where Georgia, Alabama, and Tennessee come together—say south of Chattanooga. Bauxite exists in considerable quantities in all three of those States, but particularly in that district where all three come together. Bauxite is also found in France, on the shores of the Mediterranean, near Marseille—between Marseille and Nice. It is also found in Ireland, Hungary, Italy, and other places. But the principal source of bauxite for the foreign producer of aluminum is the Mediterranean shore of France.

The bauxite is first made into a highly finished product which is known in the trade as alumina. Alumina is, in reality, nothing but purified bauxite. But the process of extracting the silica and iron and titanic acid and other impurities in the bauxite is a very complicated chemical process. It is conducted in what is known as the wet process. The material is dissolved and carried through a great many different processes, until finally it is precipitated by means of carbonic-acid gas into a fine powder, and is then dried at a heat of perhaps 2,000 degrees in long kilns.

Senator McCUMBER. What is bauxite? Is it a clay?

Mr. DAVIS. Bauxite is a clay in the ordinary acceptance of the word, in that it is dust, dirt, that you walk over. Clay is, strictly speaking, chemically speaking, a silicate of alumina, whereas bauxite, chemically speaking, is a hydrated oxide of alumina. But the clay of the country—the bricks from which this building is made, and so on—are really all silicates of alumina, and contain on the average perhaps 25 per cent of metallic aluminum. But it is impossible to get out the aluminum with any degree of economy.

Senator McCUMBER. The substance is what we call a clayey substance?

Mr. DAVIS. Yes.

The next step in the process is the manufacture of carbons. These carbons are practically the same thing as the ordinary electric-lighting carbons which you see, three-eighths or half an inch in diameter and 12 inches long, except that the carbons we use are very much larger—10 inches square and 4 or 5 feet long. The alumina is next dissolved in a bath of cryolite or fluoride of aluminum and sodium, and this bath is heated by the electric arc, or electricity, until it melts. Then the electricity, passing through this bath, slowly precipitates the

aluminum, and the aluminum is from time to time drawn off at the bottom of this electric furnace, the electric power being required for this melting and reducing or smelting process. One horsepower will make about 1 pound in a day.

The advantages which the foreign producer of aluminum has over the American producer are really considerable, entirely aside from the matter of labor. But as to labor, about a year ago I made an investigation into the labor rates, and I found that in the south of France, where the largest aluminum works are, the aluminum producers paid from 70 to 80 cents per day for yard labor and from 80 cents to \$1 a day for furnace labor, whereas we pay \$2.25 a day for furnace labor. But it must not be overlooked that the French labor works 12 hours a day, while ours work 8 hours. The process is a continuous one and has to be kept up day and night, month after month, and we do not think it is right to ask men to work at that hard and hot work for 12 hours a day 7 days in a week; and if we did, I doubt if we could get the men to do it.

But in addition to the extraordinary advantage which the foreign producers have with respect to labor, they have a good many natural advantages, which, unfortunately, we do not have. Although, as I say, we created the industry and started it, we did not realize at that time that the foreigners were really better located than we are. The French bauxite contains about 68 per cent of alumina. Ours contains about 55 per cent of alumina. The French bauxite is located in the south of France, in the best labor market in the world, and the water powers of France are on the south slope of the Alps, within 100 or 150 miles of the bauxite.

Senator KENN. What do you mean by "the best labor market in the world"?

Mr. DAVIS. I think the south of France has the cheapest labor, when you take into consideration the intelligence of the men. They draw not only upon the French labor, but the labor from the north of Italy, the Piedmontese, who are very good, strong, intelligent people, and who come over into France or go back into Italy as the labor demands give them employment. They are willing to work long hours, 12 hours a day. They seem to be very contented to work all day and sit around their little homes in the evening. Taking it altogether, I believe that the south of France is as ideal a place in which to manufacture as there is anywhere. The living expenses are very low; the climate is very healthful, as well as very temperate; so that the expense of houses and food, etc., is very much less than it is in almost any other part of the world that I know of.

In this country our bauxite, which is located either in Arkansas or in Georgia, is a thousand or fifteen hundred miles away from the principal water powers that have so far been developed. Our water powers at Niagara Falls and on the St. Lawrence River are perhaps an average of 1,500 miles from the bauxite, as compared with 150 miles abroad. The freight hauls are very long, in consequence.

There is another point that I think should not be overlooked in looking at the justice of our case. That is that the people who press upon this country the greatest amount of aluminum are the French. The French have a producing capacity of about 44,000,000 pounds per annum, which is just about equal to the consumption in this

country. France, however, consumes only about 6,000,000 pounds per annum, leaving a surplus, therefore, of almost as much as we produce in this country. The French producers have a tariff of $7\frac{1}{2}$ cents per pound, whereas under the Underwood bill it is proposed to give us a tariff of $2\frac{1}{2}$ cents per pound.

There is only one other point that I should like to call to your attention. That is the jeopardy in which we stand on account of the importation of remelted scrap.

After making articles of aluminum, there are always left small pieces of sheet or of wire, or whatever it may be, and these can be easily remelted into ingots and shipped into this country, of course, at a much lower rate than the value of new metal. In fact, in looking over the importations into the port of New York for the month of December, concerning which I spoke yesterday, I noticed one large importation which came right out and said it was aluminum scrap, and it was valued at 7 cents per pound. Most of this aluminum scrap that comes in here is, unfortunately, not labeled "scrap," but is called new aluminum or virgin metal, although it is scrap, and it is sold upon this market as new aluminum. We are the dumping ground for the scrap of all of the Continent, principally for the reason that it is advantageous to sell it as far away from home as possible, where, if it is of poor quality, the danger of detection is less than at home. In our own country we make very little scrap, because we ourselves work up a large portion of our aluminum, and get the scrap in our factory, and remelt it ourselves and take care of it in that manner.

If there are any further questions, I shall be glad to answer them. Then I hope the committee will bear with me a moment while I speak about bauxite.

Senator McCUMBER. Have you been questioned about your exports of the product?

Mr. DAVIS. I do not think anybody asked that question; but the Almuinum Co. of America, which is the only one, as I said yesterday, in this country, does no export business at all. The unfortunate fact is that we can not make aluminum here except at a considerably greater price than the market price abroad.

Senator KERN. You have a very great market here?

Mr. DAVIS. Yes, sir; we have a very great market here.

Senator KERN. You have the entire market here?

Mr. DAVIS. Yes, sir; we have a market here for about 40,000,000 pounds.

Senator McCUMBER. How much did you say you were importing?

Mr. DAVIS. There was imported in 1909 about 12,000,000 pounds, and in 1910 I think about 6,000,000. The imports for 1911 bid fair to exceed those of 1910.

Senator McCUMBER. Then about one-sixth of the amount used here is imported?

Mr. DAVIS. Yes, sir.

Senator KERN. You could not supply the demand here, could you?

Mr. DAVIS. Yes, sir.

Senator KERN. You could?

Mr. DAVIS. We could if the foreign producers would let us alone.

Senator KERN. Is not the demand increasing all the time as people become more familiar with the product?

Mr. DAVIS. The aluminum business has increased pretty regularly since the beginning, but we have always kept ahead of it by enlarging our works.

Senator KERN. It is comparatively a new business?

Mr. DAVIS. Yes, sir. When we started it there was no business here or abroad.

Senator KERN. And the demand would naturally increase from year to year as people become acquainted with it?

Mr. DAVIS. As they become more familiar with it, more particularly as we have gradually brought down the price as a result of our improvement in the method of manufacture.

Senator McCUMBER. I was not here yesterday, so some questions may have been asked that I do not want to duplicate. But I want to ask you if you have given the general uses of aluminum in this country?

Mr. DAVIS. Aluminum is sold in ingot form for remelting and pouring into castings. For instance, the automobile trade takes a great many castings. Those castings are used here and there and everywhere where a light and cheap metal is required. Aluminum ingot is also used to a very large extent in the steel industry. A certain percentage of aluminum is required in some grades of steel, and is beneficial in all grades of steel.

Senator McCUMBER. That is, it enters into the ingredients of the steel?

Mr. DAVIS. It is used to quiet the steel so that it will be solid and free from blowholes. The aluminum, in other words, takes out the gas in the steel. They use only a few ounces to the ton; but there is such a large output of steel here that in the aggregate it makes a very large consumption of aluminum, and we sell to practically all of the steel companies in this country.

Aluminum wire has really only one use, and that is for electrical conductors for the transmission of electricity. The power-transmission business is a very large one. We just sold last week, for instance, one of the most interesting transmission lines that we have negotiated for. The distance of the transmission of the power, I think, is about 275 miles. It is to take the power from the Sierra Nevada Mountains into Los Angeles.

Senator McCUMBER. It is found, as a transmitter of electricity, to be considerably superior to copper, is it?

Mr. DAVIS. I can not say it is superior to copper. It is just as good as copper. Then it comes down to a question of price, as to which material can be had for the lowest price to build the transmission lines.

Senator KERN. Is it as durable as copper?

Mr. DAVIS. Yes, sir.

Senator HEYBURN. Give us, in that connection, the comparative weight of copper and aluminum wire.

Mr. DAVIS. Aluminum weighs, per cubic inch, about one-third of what copper does. But the conductivity of aluminum is not quite as good as that of copper. Consequently, we have to use a somewhat larger section in order to give a conductor of equal resistance. In other words, a cable about $1\frac{1}{4}$ inches in diameter in aluminum is just as good a conductor as a cable 1 inch in diameter in copper.

Senator HEYBURN. Can you figure what the difference is?

Mr. DAVIS. Yes; the difference in weight is just about one-half.

The remaining principal subdivision for aluminum is aluminum in sheets. We have a sheet mill at our Pittsburgh works, and also at our Niagara Falls works, and we sell a very large percentage of our output in sheets. These sheets are used for a thousand and one purposes. No doubt you have all seen articles made of sheet aluminum. The business of making cooking utensils from aluminum has gotten to be quite a large one; and there are a great many articles that use sheet aluminum where the aluminum, as it were, disappears from view, being covered over with other things, or painted, or something of that sort.

Senator McCUMBER. Have you given the general market value per pound of aluminum?

Mr. DAVIS. The market value of aluminum to-day is about 18 cents per pound for ingots.

Senator KERN. Is that wholesale or retail?

Mr. DAVIS. There is no substantial difference. We charge a little excess, of course, in small quantities; but you can not very well make a difference if a man buys 100 pounds or 1 ton. It is the same way with copper, for instance, there is no substantial difference between the pound price of a ton of copper and the price of a carload of copper.

Senator HEYBURN. Is aluminum as durable as copper?

Mr. DAVIS. So far as resistance to ordinary corrosive agents is concerned, yes, sir. Of course there are certain agents which affect aluminum which do not affect copper, and vice versa. But ordinarily aluminum is as good as copper.

Senator HEYBURN. Recently it has been frequently stated—I have seen it in some scientific papers and some others—that there is a disease that has attacked aluminum that is somewhat alarming; that is to say, a process of disintegration sets in after a certain time. Is that true?

Mr. DAVIS. I think that is a phantasy of the newspaper reporters.

Senator HEYBURN. Did you read it?

Mr. DAVIS. I have seen it; yes, sir. But I have been in this business for 24 years, and I can assure you there is nothing in that statement.

Senator HEYBURN. I saw a picture in the Scientific American of last week showing the effect of this attack upon an aluminum surface, and I thought this was a good opportunity to find out whether you thought there was anything in it or not.

Mr. DAVIS. There is really nothing in that.

Senator McCUMBER. Is it a case of microbes?

Senator HEYBURN. It was quite an interesting article, and I thought Mr. Davis might be able to tell us something on that point as going to the question of durability.

Mr. DAVIS. If that is all, I should like to speak for a moment about bauxite.

My appearance in behalf of bauxite is, in a certain sense, altruistic. The Aluminum Co. of America owns its own bauxite mines, and mines its own bauxite, and does not sell very much bauxite to other lines of trade, simply because we feel that we must confine ourselves

to our own business and not try to get into too many different lines. But I have been asked to speak in behalf of the bauxite miners who mine bauxite and sell it to the chemical works, which use it for the manufacture of alum. There are one or two other uses for bauxite. It is used to make refractory brick, and also to make an artificial abrasive. But the principal use of bauxite, aside from the aluminum business, is in the manufacture of alum.

There are about 60,000 tons of bauxite consumed per annum in this country in the trades other than the aluminum trade—principally, as I say, in the alum trade. About 30 per cent of that, on the average for the last few years, has been imported. The situation is really very simple. All of the United States consumers on the Atlantic seacoast use French bauxite. The French bauxite is within 25 or 30 miles of the port of Marseilles, or Toulon or San Rafael, on the Mediterranean, and consequently can be landed in Philadelphia or New York or any other Atlantic seaport at a rate which can not be approached by the American bauxites.

Senator CLARK. Where do we get it in this country?

Mr. DAVIS. We get it in this country from Arkansas, Georgia, Alabama, and Tennessee. But there is a certain consumption of bauxite inland, at Detroit, Chicago, and St. Louis, which, perhaps, mark the western boundary of the consumption of bauxite. I do not think there is any used west of Chicago. The duty at present is \$1 a ton. Consequently, it simply means that if this duty should be altogether removed, for instance, the French bauxite could go farther inland, as far as \$1 freight would take it. At the present time the American bauxite producer has to compete with the French bauxite producer, and succeeds in selling only 2 tons where the French bauxite producer sells 1 ton. If this duty should be substantially reduced, I believe it would let in all French bauxite and practically cut out altogether the American bauxite.

Senator McCUMBER. You said that if the duty of \$1 were taken off, the French product could go inland as far as \$1 freight would take it?

Mr. DAVIS. It would go a little farther, because it now goes inland a certain distance. For instance, right in my own town, Pittsburgh, I suppose they used 25,000 tons of French bauxite in the year 1911.

Senator McCUMBER. The point on which I wanted to get information was this: My information—I do not know whether it is correct or not—is that the freights westward in connection with the foreign trade importations are cheaper in this country than they are eastward from any given point, or any place inland. In other words, if you took a cargo from the south coast of France by ship and by rail through New York as far west as Chicago it would be very much cheaper than taking a cargo from Chicago eastward and to France. Is that correct?

Mr. DAVIS. I believe that is the fact. I have always heard it stated in that manner, and I have no doubt it is true.

Senator McCUMBER. If that is true, then they could ship much farther inland, accordingly, than you could?

Mr. DAVIS. Yes, sir.

Senator McCUMBER. Because their freights would be cheaper.

Senator KERN. Have you any definite information on that point, as to these freights?

Mr. DAVIS. No, sir; I am not sufficiently familiar with the business to be able to give you any specific figures per ton, as I am not particularly interested personally in the sale of bauxite to the alum trade.

Senator CLARK. Where are the manufactories of alum located?

Mr. DAVIS. Quite a group of them are located right on the seacoast, in Philadelphia, New York, and Boston. Then there is what might be termed the middle group, that are located in Pittsburgh and Buffalo. Then, again, there is the western group, as I classify it, located in St. Louis and Detroit and Chicago. The eastern group, on the seacoast, use French bauxite altogether. The middle group use sometimes French and sometimes American bauxite. The large works in Pittsburgh use only French bauxite, and have done so for years.

Senator CLARK. I suppose that is due to the price and not to the quality?

Mr. DAVIS. It is altogether due to the price.

Senator CLARK. The quality is equal?

Mr. DAVIS. Yes, sir; whereas the works in the West use altogether American bauxite. But if the duty should be substantially reduced, the American bauxite producer would surely lose the middle group, and I doubt if he could hold the trade of the western group.

Senator HEYBURN. On the ground of transportation?

Mr. DAVIS. On the ground of transportation.

Senator HEYBURN. Then, is the difference between the cost of the French bauxite and that produced in this country only represented by the transportation charges?

Mr. DAVIS. By no means. The cost of mining in this country is substantially in excess of the cost of mining in France, not only because we pay our labor a great deal more, but because French bauxite exists in thicker and larger deposits.

Senator HEYBURN. I know; but on the question of competition in Chicago, for example, you say the French bauxite can not penetrate farther than Pittsburgh and compete. Is that true?

Mr. DAVIS. That seems to be true.

Senator HEYBURN. Then if the freight rates did not enter into the question, there is no reason why it could not penetrate as far as Chicago, is there?

Mr. DAVIS. It would do it.

Senator HEYBURN. And overcome the difference in wages?

Mr. DAVIS. And overcome the difference in wages.

Senator HEYBURN. And it might go on for successive steps in the same manner?

Mr. DAVIS. Yes, sir.

If that is all I thank you very much for the opportunity to be heard.

The CHAIRMAN. That is all, Mr. Davis.

STATEMENT OF MR. W. L. KANN, OF PITTSBURGH, PA., REPRESENTING THE PITTSBURGH CRUSHED STEEL CO.

The CHAIRMAN. Where do you reside, Mr. Kann?

Mr. KANN. Pittsburgh, Pa.

The CHAIRMAN. Whom do you represent?

Mr. KANN. The Pittsburgh Crushed Steel Co.

The CHAIRMAN. To what paragraph of the bill do you desire to address yourself?

Mr. KANN. Paragraph 133.

The CHAIRMAN. Regarding what product?

Mr. KANN. The article known as angular cast-iron product; also known as iron sand, shot, or grit.

Senator JOHNSON. Is that paragraph No. 11 of the Underwood bill?

Mr. KANN. Yes, sir.

The CHAIRMAN. Yes; it is paragraph 11 of the Underwood bill. Will you go on with your statement?

Mr. KANN. If you will permit me, I will read a short submission that we wish to make of a protest on paragraph 133.

Senator HEYBURN. 133, you say?

Senator LODGE. It is paragraph 11 of this bill.

Senator HEYBURN. I want to compare them.

The CHAIRMAN. How many men are employed in your works at Pittsburgh?

Mr. KANN. In this particular branch, about 25 men. It is a bulk material, which is produced by machinery principally in the crushing of this by-product.

We beg leave to call your attention briefly to paragraph 133, reading as follows:

Grit, shot, and sand made of iron or steel, that can be used only as abrasives, 1 cent per pound.

It is now proposed that this should read as follows:

Grit, shot, and sand made of iron or steel, that can be used as abrasives, 20 per cent ad valorem.

Senator McCUMBER. The word "only" being left out?

Mr. KANN. Yes, sir; and it is reduced from a specific duty of 1 cent to 20 per cent ad valorem.

We respectfully beg to file our protest against such reduction or change from a specific to an ad valorem duty, and justify our action by the following statement:

"Our company, the Pittsburgh Crushed Steel Co., has been located in Pittsburgh, Pa., for the last 20 years engaged in the manufacture of steel and iron abrasives used in the grinding, sawing, rubbing, boring, and facing of marble, granite, stone, brick, etc. Our company is the only one in the United States manufacturing iron or steel as an angular artificial abrasive."

Senator CLARK. What do you mean by "abrasive"? I do not know that I understand that.

Mr. KANN. I shall be glad to show you a sample of it. It is not generally known. [Exhibiting samples to committee.] This lower row of samples is made of cast iron, and the ones above are crystal steel; and it is angular in shape, you see.

Senator HEYBURN. It is not round shot; it is angular shot?

Mr. KANN. Yes, sir.

Senator CLARK. What I want to get at is two things—one to show my ignorance and the other to get information. What is it used for—polishing or grinding?

Mr. KANN. Principally as a medium for the sawing of stone, granite, and marble. It takes the place of sand in bulk, being a very much harder and more resisting material than sand, so that it does not crush down, and it can be used over and over again. It takes much less bulk, and, of course, is much handier.

Senator HEYBURN. For what is it used as a substitute in sawing stone?

Mr. KANN. Principally sand; it displaces sand.

The original product of abrasive made from metal was a patented article made by the Tillmans, of Philadelphia, years ago. It was round in shape, and was called shot—iron or steel shot; chilled-steel shot. At that time they got as much as 16 or 17 cents a pound for it. It is made out of cast-iron scrap and pig iron in this country.

Senator HEYBURN. Is any of the round shot made or used now?

Mr. KANN. Oh, yes.

Senator HEYBURN. So that you compete with the round shot?

Mr. KANN. Yes, sir.

Senator HEYBURN. On the merits of the product?

Mr. KANN. Yes, sir.

Our particular product is known as crushed steel. We take carbon steel, bring it up to a crystalline state, break it, and crush it. It is a high-priced material, but it comes in competition with the round cast-iron product—or, rather, the latter is in competition with our steel.

Senator HEYBURN. What is the difference in price?

Mr. KANN. The cast-iron round shot to-day is selling for anywhere from fifty-five to seventy dollars a ton, according to the statements of the importers under oath. They get \$70 a ton for it. We sell our steel product for from sixty to one hundred dollars a ton, according to the temper. We are able to take the steel material and temper it so as to make it tough, which they can not do with the iron.

Senator HEYBURN. What is the difference between the price of your product and the sand that is used? Is that chrome sand, by the way?

Mr. KANN. Oh, no; just the ordinary sand.

Senator HEYBURN. Ordinary silica?

Mr. KANN. Ordinary silica; rock sand. The better grade of sand for that purpose is worth anywhere from one and a half to two dollars a ton, delivered at the mills.

I can perhaps call attention to the salient points in this brief instead of reading it, and will hand it to the secretary if you wish.

Our angular cast-iron product is made from the by-product of the round material. In the manufacturing of the round shot, which is made in bulk and blown from a cupola into a water bath, which chills it, they make a variety of sizes, from fine dust to very large particles, which are not perfect in shape, which have more or less tails and irregularities and blowholes in them. That is a waste material. We buy that waste material—that is, the coarser sizes of it—and crush it and make an angular material out of it, so that our raw material is a by-product which is made by the iron-shot makers.

Senator HEYBURN. It is made by squeezing rather than by blowing?

Mr. KANN. Yes, sir. I have a sample here showing the mass as it comes out of the cupola, which ranges from dust to the coarser material. This material is made abroad in just the same way. They have a by-product just the same, but they crush this material and attempt to bring it in here.

Senator CLARK. Do they bring it in?

Mr. KANN. Yes.

Senator CLARK. There is some importation of it?

Mr. KANN. Yes. They are beginning to bring it in a little more freely and are advertising it for sale to the public at 4 cents a pound.

Senator HEYBURN. The angular steel?

Mr. KANN. Yes, sir. I should like to have the privilege of calling attention to a publication dated January, 1912, in which the only importer of this material, who, by the way, represents all the manufacturers on the other side—a little trust of his own—says:

It is the process of manufacturing that makes our shot wear longer, and enables the operator to do 25 per cent more work than with the cast-iron material.

He makes a misstatement there in the first place, because it is cast iron, and can not be made out of steel. Perhaps you can buy shot for less money, but you are receiving exactly what you are paying for. They can not make that shot from steel, correctly speaking. Then this publication goes on to say:

Have you tried Diamond grit?

It shows a photograph of it.

The best crushed abrasive at any price.

It says further along:

Speaking of price, do you know that we charge only 4 cents per pound for Diamond grit? For further particulars write to the Harrison Supply Co.

Senator KERN. How much do you charge a pound?

Mr. KANN. We are selling this crushed material as low as \$35 for the undersirable sizes.

We make a number of sizes which are not ready sellers, some of which we have to sell as low as \$6 and \$8 in order to get rid of it. But the salable sizes, which the stone sawyers use, we sell for anywhere from \$35 to \$55 a ton.

Senator HEYBURN. According to quality?

Mr. KANN. According to size.

Senator HEYBURN. It is the size that makes the quality?

Mr. KANN. Yes; that is right.

Senator McCUMBER. I have not computed that, but how does that compare with 4 cents a pound?

Mr. KANN. Four cents a pound would be \$80 a ton.

Senator McCUMBER. Would be \$80 a ton?

Mr. KANN. Yes, sir.

Senator McCUMBER. And you are selling it for what?

Mr. KANN. We are selling it at \$55 a ton. That is our open price for salable sizes, and, as I say, we make an accumulation of sizes that are not ready sellers in this country.

Senator McCUMBER. Does \$80 a ton compete with you?

Mr. KANN. Some of this stuff goes a great way with some people. It is called "hot air" usually, but they call it steel when it is not. It is brought in, undoubtedly, to compete against our steel products, which we can not sell at \$80 and make a profit on.

Senator KERN. That is a false statement, you say, there?

Mr. KANN. Yes; it is.

Senator KERN. On an honest statement of facts they could not compete with you charging \$80 a ton?

Mr. KANN. No, sir.

Senator KERN. As against your \$55?

Mr. KANN. No.

Senator KERN. They could not compete with you long at any rate, could they, when the public discovered that they were making their sales by reason of false pretenses?

Mr. KANN. It is pretty hard to give an intelligent answer and reason why the public will submit to that. When we started in the manufacturing of the crucible steel products this iron material, the round, was selling at 16 cents a pound. Of course, it was controlled by a patent and the manufacturers sold it under a contract to the users that they would not buy any other material for the purpose for which they bought that. If they did they were to pay him just the same as if they bought it. When we went into the business they dropped their price to 12 cents and then finally to 10 cents. Our price has been about 8 cents for the steel product ever since, whilst this round material has been gradually reduced to where it is now selling, by the American manufacturers, as low as the importers, as low down as \$60 and \$55. But they bring it under this guise, or steel shot, and a lot of misnomers, and by the constant advertising and telling the users it is steel.

Senator KERN. That is a trade condition that could not be remedied by legislation.

Mr. KANN. Any more than if the clause was written specifically "plain iron abrasives," as we ask for a correction here, an abrasive made from iron, steel, or any other metal. Then, if they want to call it steel and there is a specific duty on it they can go on deceiving the public if they want to, but they will not be able to import it.

Senator CLARK. What is the specific change which you propose in this section?

Mr. KANN. To leave it 1 cent a pound and make it read:

Shot, grit, or sand, in any form, made of iron, steel, or any other metal, 1 cent per pound.

Senator CLARK. Of what other metal do they make it?

Mr. KANN. I do not know. They may tell the public that they can temper cast iron. Anybody who knows anything about the first rudiments of metallurgy knows they can not do it.

Senator KERN. You want that particularly to protect yourself against the false pretenses of your foreign competitors?

Mr. KANN. As one very necessary condition. But the other is that the 45 per cent ad valorem, or 45 as a specific, would not protect the American industry.

The CHAIRMAN. What else do you make besides this angular cast iron?

Mr. KANN. Crucible angular material, and that is our principal business and the one we have built up in the last 25 years.

The CHAIRMAN. Have you any objections to stating to the committee what the profits of this business are?

Mr. KANN. On the angular cast iron we have not made any money as yet.

Senator KERN. How extensive is this business throughout the country?

Mr. KANN. The product is sold all over the United States.

Senator KERN. No; I mean to what extent is it manufactured throughout the country?

Mr. KANN. There are but three manufacturers of metallic abrasers in the United States. The other two gentlemen are here. One is located at Calais, Me., a very old concern that has been in business there 15 or 16 years, and the other concern is the Globe Steel Co., located at Mansfield, Ohio, who have been in business since 1907. They, however, make only the cast-iron round shot.

Senator CLARK. How much of it is there used?

Mr. KANN. All told, between the imports and the domestic production, I do not suppose it is over 3,000 tons. It is a very limited business. It can be increased only according to the demands, which would come from the natural increase of the sawing of stone and the rubbing.

Senator McCUMBER. What percentage of that is represented in imports?

Mr. KANN. The imports since the statistics have been kept separate under that clause, which is only since 1910, have been about 1,000 tons.

Senator McCUMBER. About one-third?

Mr. KANN. Yes; and that is brought over by a contract. There is but one importer in the United States, who has a contract with all the principal manufacturers on the other side to represent them, and I believe he has a contract for a thousand tons per annum, minimum.

Senator McCUMBER. Then the old duties were not high enough to exclude the property?

Mr. KANN. No, sir.

Senator KERN. \$28,316 in value was imported in 1911.

Mr. KANN. Yes, sir; \$28,316.

Senator KERN. Two million sixty-five thousand seven hundred and fifty pounds?

Mr. KANN. Yes; and the year before it was practically the same.

Senator CLARK. There would be substantially \$100,000 worth of this product used in the United States?

Mr. KANN. Yes, sir; it is very small, but it is an American industry that started here, and was by low values and low labor and low cost of material on the other side taken over to Scotland and England and built up over there. They do quite a large business in the granite and marble districts, and there is also a large concern—large by comparison—competing with the American product in Leipzig, Germany.

Senator McCUMBER. And you have no combination to fix prices with the importers?

Mr. KANN. Absolutely none.

Senator McCUMBER. Then, with the free, open, competitive field, the foreigner is able to take one-third of the consumption in this country?

Mr. KANN. He could take it all if it was not for the aggressiveness of the people here on price.

Senator McCUMBER. Even with the present protection?

Mr. KANN. Yes, sir.

Senator McCUMBER. If we take all this present protection off, or reduce it, what would be the result—if we would reduce it to the extent indicated in the House bill?

Mr. KANN. It would absolutely, without any qualification, shut up the manufacture of all this round material.

Senator McCUMBER. Then who would fix the price?

Mr. KANN. The importer.

Senator McCUMBER. And he would be without competition in this country?

Mr. KANN. Yes, sir.

Senator McCUMBER. And he could fix whatever price he saw fit, without any competition?

Mr. KANN. Yes, sir.

Senator CLARK. What is the duty under the present law per pound or per ton?

Mr. KANN. One cent per pound.

Senator CLARK. And the duty under the proposed law would be how much? You say it is worth \$55 per ton?

Mr. KANN. That is what they sell it for here.

Senator KERN. I understood you to say that is what you sold it for here.

Mr. KANN. Yes.

Senator KERN. I understood you to say a while ago that these very parties were offering to sell it at \$80?

Mr. KANN. Yes; but they do that—I would like to make myself clear on that—under the subterfuge that it is steel.

Senator KERN. But still they sell the identical product at \$80 a ton?

Mr. KANN. Yes. But when they sell it for this round material, they sell it at any price they need to—they sell it as low as \$45 or \$50.

Senator CLARK. What I want to get at is the difference in the actual duty on a ton of the material under the old law and under the proposed law.

Mr. KANN. May I state how much a pound the 20 per cent is?

Senator KERN. Yes; that is what I want.

Mr. KANN. In a protest case, which is still before the appraisers' court, the importer under oath states that the material—now speaking of the round material—costs on the other side \$9 to \$25 per ton, and as I understand that is a long ton—2,240 pounds. The cost of the same material over here is not less than somewhere in the neighborhood of \$40 a ton.

Senator CLARK. Upon what does the importer pay his duty?

Mr. KANN. Upon the price at which they invoice it over there, if it is ad valorem.

Senator CLARK. That is what I mean.

Mr. KANN. Yes.

Senator CLARK. Twenty per cent duty on that would be how much per pound or per ton?

Mr. KANN. About \$3.90 per ton, on an average.

Senator CLARK. About \$3.90 a ton?

Mr. KANN. Yes, sir.

Senator CLARK. The present duty, you say, is how much?

Mr. KANN. \$20.

Senator CLARK. That is what I wanted to get into the record.

Senator HEYBURN. I notice in the official publication of the present tariff, at page 31, there is a footnote which says that this article is classed at the customhouse under 135, on page 33 of the tariff schedule, which is "Articles manufactured from steel." That seems to be the rule of the customhouse. It is 1½ cents per pound. What has that to do with it?

Mr. KANN. May I see that reference?

Senator HEYBURN. Yes. There is the existing law, and the footnote says it all comes under that classification.

Mr. KANN. I do not think that applies.

Senator HEYBURN. It says so here. That is an official publication. It says it comes under this "Articles manufactured from steel." Do they pay that duty under "Articles manufactured from steel," or do they pay the duty enumerated under 133?

Mr. KANN. They pay the duty under 133.

Senator HEYBURN. Then, you do not understand why that reference is made to the other item of "Articles manufactured from steel, 1½ cents a pound"?

Mr. KANN. No, sir.

Senator HEYBURN. You think the duties are paid on the basis of 1 cent a pound?

Mr. KANN. Yes, sir.

Senator HEYBURN. That being a specific duty, of course it makes no difference whether it is abroad or here. The proposition is to reduce that to 20 per cent ad valorem and to ignore the classification. A few minutes ago you suggested an amendment in the terms of the classification. The proposed legislation omits the enumerated classification under existing law. Just repeat that answer as to the classification that you desire.

Mr. KANN. "Shot, grit, or sand in any form, made of iron, steel, or any other metal, 1 cent per pound."

Senator HEYBURN. Let us see where that differs from the existing classification. The existing classification is, "Grit, shot, and sand, made from iron or steel, that can be used only as an abrasive."

Mr. KANN. Yes, sir.

Senator HEYBURN. And you think that ought to be changed?

Mr. KANN. Yes, sir; particularly for this reason—that since the present act has gone into effect the importer has tried to take advantage of that verbiage there of "only," and they have tried to show the appraiser—and that is where these protest cases come from—that some of these sizes are not held down to "only used as an abrasive," and they have gone out of the way to show it could be used as ballast for a boat, for instance, for counterpoise weights, and ridiculous uses they might put any other weighty material to; and under that attempt they have had some refunds made under the old classifica-

tion, when it was in the basket clause of "not otherwise specified, 45 per cent ad valorem."

Senator McCUMBER. You desire the word "only" to be retained?

Mr. KANN. No.

Senator McCUMBER. You want it cut out?

Mr. KANN. Yes, sir.

Senator HEYBURN. It is cut out in the proposed bill.

Mr. KANN. It is cut out in the proposed bill.

Senator McCUMBER. I asked if you wanted it retained.

Mr. KANN. The proposed bill leaves it a little ambiguous, because it says "grit, shot, and sand made of iron or steel that can be used as an abrasive." So that brings up the question as to its use.

Senator HEYBURN. That would enlarge the classes of material that might come in under the proposed legislation beyond the restrictions of existing law?

Mr. KANN. Yes, sir.

Senator HEYBURN. Would you be content with the existing law?

Mr. KANN. No, sir; because it leaves the conditions that I have just stated. They will attempt to show that these materials—that is, some sizes of them—can be used only as an abrasive, whereas others are general in their use.

Senator CLARK. Is not the word "only" in the present law?

Mr. KANN. Yes.

Senator HEYBURN. But not in the proposed law?

Mr. KANN. Not in the proposed law. It is corrected to that extent.

Senator HEYBURN. The proposed law would apply to a much larger class of cases.

Senator CLARK. I understood him to say he was not satisfied with the present law in that respect.

Mr. KANN. Only as far as the qualification which it has in there. It says, "to be used as an abrasive."

Senator CLARK. But the present law says, "to be used only as an abrasive."

Mr. KANN. Yes.

Senator CLARK. You are satisfied, so far as that is concerned, with the wording of the present law, the Dingley bill?

Mr. KANN. To make it clear, we are not satisfied with either the wording of the Dingley bill or that of the proposed law.

Senator CLARK. You are satisfied with the Dingley wording so far as the word "only" is concerned, are you not?

Mr. KANN. No, sir.

Senator CLARK. How do you want it?

Mr. KANN. By leaving out any qualification as to its use, and simply covering the article, calling it shot, grit, or sand, and, by the way, they all mean the same thing. It is not a different article.

Senator CLARK. All right. Now go ahead.

Mr. KANN. "In any form, made of iron or steel or any other material."

Senator HEYBURN. Then you want it, so far as "only" is concerned, as it is proposed in the Underwood bill.

Senator CLARK. No; he wants to leave out that whole business in regard to abrasives, as to the use of the article.

Mr. KANN. Yes; just describe it.

Senator HEYBURN. That is what the proposed law does.

Senator KERN. No; he wants to leave out those words "that can be used as an abrasive." You do not want to say anything about abrasive?

Mr. KANN. No.

Senator HEYBURN. You do not want the word "only" inserted after the word "used" in line 10 of the Underwood bill?

Mr. KANN. No.

Senator McCUMBER. He wants the whole business stricken out.

Mr. KANN. Yes. It is confusing both to us and to the appraisers.

Senator CLARK. Is not that what you use it for, as abrasives?

Mr. KANN. Yes.

Senator CLARK. Then why do you wish that part of it stricken out?

Mr. KANN. What is the benefit of having it in there? We do not object so much to having it in there, as to its being misleading. There may come other uses.

The CHAIRMAN. You claim, Mr. Kann, under this classification, some of this shot is brought in on the claim that it can be used as ballast or for some other purpose than as an abrasive, and in that way it evades this particular duty?

Mr. KANN. Yes, sir; and not only that, but it puts the manufacturers of the article here to the trouble and expense of defending a protest. This one case was started last March and is still in the courts. There have been a number of hearings, which are annoying and expensive.

Senator CLARK. Suppose, as a matter of fact, this were brought in specifically for ballast; would you want the duty on it then, if it were brought in for that and for no other purpose?

Mr. KANN. Yes; I should think there ought to be a duty on it.

Senator CLARK. It would not come in competition with you then, would it?

Mr. KANN. No.

Senator McCUMBER. It might be brought in as ballast, though, and sold for something else?

Mr. KANN. Yes.

The CHAIRMAN. It is a fraudulent evasion of the purpose of the law.

Mr. KANN. Its use being qualified does not add anything to its real nature, but leaves the door open for these evasions, which have happened.

Senator KERN. The name you apply—grit, sand, and shot—all meaning the same thing, you think the tariff duty on those articles, or on that article, would be sufficiently specific to cover the whole case, without saying anything about the use?

Mr. KANN. Yes.

Senator KERN. I see your point.

Senator CLARK. According to your classification, as you want it classified, that would include leaden shot, would it not?

Mr. KANN. Yes; I guess you are right about that. It would mean any other metals.

Senator McCUMBER. No; not as I understand it. You say "grit, shot, or sand, made from iron or steel."

Mr. KANN. Yes; you are right.

Senator CLARK. "Or any other metal" he wants put in.

Senator LODGE. Lead can not be used as an abrasive, can it?

Senator CLARK. He wants that stricken out.

Senator LODGE. I know; but it can not be used in this trade.

Senator CLARK. He cuts out this trade by his proposal entirely.

Senator LODGE. I understand that; but the article is an abrasive.

Senator CLARK. I know; but it would not be an abrasive if it was leaden shot. "Grit, shot, and sand in any form made of iron or steel or any other metal;" that is what he wants.

The CHAIRMAN. Have you anything else to say to the committee, Mr. Kann?

Mr. KANN. Nothing, unless you wish some other questions answered.

Mr. Kann submitted the following brief:

PITTSBURGH CRUSHED STEEL CO.,
Pittsburgh, Pa., February 15, 1912.

PROTEST PARAGRAPH 133.

The CHAIRMAN AND MEMBERS OF THE FINANCE COMMITTEE,
Washington, D. C.

HONORABLE SIRS: In the proposed consideration of Schedule C, Metals and manufactures of, of the tariff act of 1909, we beg leave to call your attention briefly to paragraph 133, reading as follows:

"Grit, shot, or sand made of iron or steel that can be used only as an abrasive, 1 cent per pound."

It is proposed that this should now read as follows:

"Grit, shot, and sand made of iron or steel that can be used as an abrasive, 20 per cent ad valorem."

We beg respectfully to file our protest against any such reduction or change from specific to an ad valorem rate, and justify our action by the following statement:

LOCATION OF THE COMPANY.

Our company, the Pittsburgh Crushed Steel Co., has been located in Pittsburgh, Pa., for the last 20 years, engaged in the manufacture of steel and iron abrasives, used in the grinding, sawing, rubbing, boring, and facing of marble, granite, stone, brick, terra cotta, and any other uses where metallic abrasives can be used for the above or similar purposes.

Our company is the only one in the United States manufacturing from iron or steel an angular artificial abrasive.

RAW MATERIAL.

In the manufacture of the angular cast-iron abrasive we use at present as a raw material a cast-iron by-product made in the manufacture of a round or globule material known as iron shot, iron grit, steel shot (not, however, made from steel), diamond grit, and sand made of iron. All of these various names or designations cover the same article, with the exception of as referred to below in paragraph noted as angular material, diamond grit cornered. If this source of supply should be cut off, we should be compelled to manufacture the round shot, which would considerably increase the cost of our finished product.

For general designation it is a round or globule cast-iron material, made to be used as an abrasive for similar purposes as described above in the angular artificial abrasive, and it is made from a mixture of pig-iron and cast-iron scrap, blown from a cupola and allowed to drop into a bath of water. This bulk result is then taken and separated into accurate sizes, running from 10 mesh to 200 mesh.

In making the commercial or salable sizes of the round shot there is a large percentage (not less than 40 per cent) of the total amount produced, when it is blown from the cupola, that is too coarse for commercial useful sizes, and this so-called by-product is the raw material from which we make our cast-iron angular abrasive.

The cost of this product in the United States—and we are entirely dependent for our source of supply from the factories who make the round shot in the United States, and there are but two, one in the New England States and the other in the State of Ohio—the cost net per ton is at present \$22, which has never been less, but considerably higher at times, whilst the cost of the same by-product to the foreign manufacturer is about \$10 per gross ton. In Great Britain there are a number of factories who make this round shot, and, besides, they can and do draw part of their supply from Germany with no duty to pay into Great Britain.

MODE OF MANUFACTURE.

We take the by-product before referred to, crush and separate into regular and correct sizes. In the crushing process, in order to make the saleable sizes, we are of necessity compelled to make a large percentage of very coarse material and a large percentage of very fine material. Both of these extremes are difficult to market. (Only the medium sizes sell freely.) In the sale of these we are brought into competition in the United States with the manufacturers of the round or globe article when it comes to the finer unsaleable sizes, which they likewise make in the production of their saleable sizes.

THE FOREIGN MANUFACTURERS' SOURCE OF SUPPLY FOR RAW MATERIAL.

The foreign manufacturers are mostly located in Great Britain, and there are a number of the manufacturers of the chilled-iron shot or round material, as above described, and therefore the foreign manufacturer of cast-iron angular material has this large number of factories to draw their supply from under competition on an article which has no regular market, in addition to which the lower costs abroad for the pig iron and cast-iron scrap, and the price which the foreign manufacturer pays and has been paying for the by-product, as above described, which is the same in character as what we use here, costs them about \$10 per gross ton of 2,240 pounds. We are, therefore, confronted with the difference in cost of material of at least \$10 per ton.

The cost of labor being so much less abroad than in the United States, we are confronted with the difference in cost of labor of producing 1 ton of more than \$5. The material, when finished, after being separated into sizes, is packed in a package usually made of burlap or similar material; the same costs in this country \$1.50 per ton more than abroad, making a total difference of at least for 1 ton \$16.50.

* AMERICAN COST OF PRODUCTION.

Our cost of producing angular cast-iron abrasive:

Raw material, per net ton of 2,000 pounds.....	\$22. 00
Labor, crushing, and sieving.....	7. 00
40 bags.....	2. 25
Repairs for rolls.....	1. 00
Other repairs, grading machinery, etc.....	.50
Fuel.....	1. 00
Lubricants.....	.25
Engineer.....	1. 50
Depreciation.....	1. 25
6 per cent on a \$10,000 investment.....	2. 75
Cost of marketing.....	5. 25
Administration expenses.....	4. 50
Total.....	49. 25

In arriving at this above cost we only charge a portion of such items as engineering, administration expenses, general depreciation of plant, and overhead expenses, from the fact that our principal business is the manufacturing of crucible-steel angular material. If we charged the entire items above, it would increase the cost per ton at least \$3 or \$4.

COST TO THE FOREIGN MANUFACTURER.

As we have previously shown, the cost to the foreign manufacturer is at least \$16.50 per gross ton of 2,240 pounds less than the American cost, and he

has no such item as cost to market material, as it is all sold for export through one importer and he pays the cost of transportation. The importer of the foreign material buys his salable sizes at \$36.60 per net ton and the less desirable sizes at \$22 per net ton, making an average cost to the importer of about \$29.30 per ton, plus ocean freight through to port of entry of about \$2.50, making his total cost \$31.80 per ton.

MARKETING PRODUCTION.

The angular abrasive material in the United States is used only in a few sizes, known to the trade as Nos. 12, 14, 20, and 30, while in the necessary separation we make as many as 15 different sizes, which consists of the very coarse and the very fine sizes and also the dust from the same, for which it is very difficult to find a market or outlet and are practically unsalable, only in the coarser sizes, which from time to time may be disposed of as scrap at a loss of anywhere from \$6 to \$8 a ton over cost. The finer sizes are undesirable for melting purposes, and therefore can not be sold as scrap, and the only market at present is to sell the same to blast furnaces as a scale, the best obtainable price being from \$2 to \$3 per ton.

It is true the foreign manufacturers have the same thing to contend with, but have a very much larger field of operation, and we find that it is a fact that they can dispose readily of some of the sizes which we call undesirable in the coarser grades and also in the finer sizes, and have the further advantage of dumping their surplus on the American market and selling it at whatever price they can get; whilst, as stated above, we are confined to our own market and to a few sizes and must absorb the loss sustained in the undesirable sizes. This cost must be added on to the actual cost, but as it is an unknown quantity, we can only estimate it and can only arrive at it at the end of the year when our business for the year has been accounted for.

We know of instances where the foreign manufacturers are selling their coarse and fine sizes of their angular material as low as \$25 per ton, and if an ad valorem duty of 20 per cent is assessed, as now proposed, it would cost the importer in the United States about \$30, and if on a cost of \$31.80 ad valorem duty would make the foreign material cost at port of entry, with ocean freight paid, \$38.16 per ton. If a specific duty of 1 cent per pound would be assessed on the foreign cost of \$31.80 per ton, it would make it cost at port of entry \$51.80 as against the American cost of \$49.25.

The cost to the foreign manufacturer for his raw material \$10, ours \$22; his labor \$5, ours \$7; his package \$1.50, ours \$2.25; his total \$16.50, ours \$31.25, shows a difference in favor of the foreign manufacturer on raw material, labor, and package of \$14.75, and, as before stated, the foreign manufacturer has no expense in marketing his product, there should be properly charged to our cost on the above-given items of \$5.25, which would make our cost \$36.50, giving the foreign manufacturer a differential in cost of \$20 per ton; and I wish to particularly call attention to the fact that the foreign Great Britain manufacturer has the advantage of drawing his raw material from a number of manufacturers, which they can use as a weapon for low price, and they also have the German manufacturers of round material as a source of supply, who very frequently seek an outlet for their coarse, unsalable sizes on the English market.

If a specific duty of 1 cent per pound is assessed on all sizes the importer would be compelled to pay the same rate on the undesirable sizes (which are now dumped here irrespective of cost or profit), and it would accomplish a safeguard so that the foreign manufacturer would not have an opportunity to undervalue, besides which assessing an ad valorem duty makes it possible to apply the foreign selling price of their regular unsalable sizes and lower-valued sizes and by-products above referred to, to the regular salable sizes, thereby working an injury to the American manufacturer and consumer, and this also brings about a reduced income to the Government by being deprived of the proper assessed values.

It is a fact, taken from the testimony of one of the largest importers, that they sell all of their sizes imported at a uniform price, which, up to a very short time ago, was about \$65 or \$70 per ton.

It is very difficult to distinguish between the salable fine sizes and the unsalable ones. In a hearing of the iron-sand case, protests 506692-5, 511660, 517678, and also protests 507125, 517676-7, before the court of the appraisers, testimony taken at Boston, September 28, 1911, one of the largest importers of

metallic abrasives, who is now importing this angular cast-iron material, the importer stated under oath November 9, 1911, reference to which can be had by referring to the testimony in the case:

"The majority of the shot that Harrison Bros., at Middlesbrough, England, make is made into this cast-iron material."

It was also shown in the same proceeding that when attention was called to the fact that the protest was made on iron-sand and round material only, and that there was an invoice of diamond grit cornered (angular material), the invoice was withdrawn and that portion of the protest dropped, showing that there is a temptation to the foreign manufacturers and the importers to undervalue their products, particularly when it is difficult for the examiner to distinguish between the round material and the angular material when it is in fine sizes, and also between the size that should be invoiced at \$40 and the size that should be invoiced at \$25 per ton. This can be verified in the same hearing before referred to by referring to the testimony taken September 28, 1911, in the same case, when it was plainly shown that the examiners at the port of entry testified under oath that they were unable to state whether No. 3 was a coarser size as compared to No. 6, the one in question.

Again, Harrison Bros., of Middlesbrough, England, who are the largest manufacturers abroad and who have an associated representative in Boston, Mass., designate their round material as diamond grit, and their angular material before referred to as diamond grit cornered. The only way that this difference is distinguishable is that the respective number of the sizes of angular material is stenciled within a four-cornered diamond or rhombus, thus $\diamond$ and the angular material is stenciled elsewhere on the bag container, which may easily become erased or defaced in the rough handling, and the only other way of distinguishing is by the opening up by the appraiser or examiner of every bag in the shipment. This is the statement of the importer under oath, and certainly shows conclusively the importance of a specific duty on this class of merchandise where the examiners have so slight a protection to help them distinguish between these materials, and as some of the material costs the importer as low as \$9 a ton on the other side, it is very easy to be seen what is necessary for the protection of the American manufacturer of a similar material, and for the protection of the Government at the port of entry.

The use which these materials have been put to largely is the sawing, rubbing of stone or marble, and we beg to call your attention to the fact that, whatever duty you see fit to recommend on this commodity, would not affect the production price of a tombstone or a piece of marble for building purposes, or a block of stone in construction work, to any appreciable extent whatever, as the amount which is used is so small that it is difficult to compare it to the unit of stone upon which it is used. In an ordinary tombstone it would not necessitate using, under any circumstances for sawing and rubbing over 25 cents' worth, even if the duty were materially increased over what it is to-day.

The total amount consumed in this country is limited, as the market for either round or angular abrasive, whether made of cast iron or steel, is confined to the specific uses stated, and is not a possibly largely increasing business. The increase depends entirely upon the general activities and the natural increase in the monumental and building trades where they use marble or stone to any extent.

We, therefore, earnestly request that the duty be allowed to remain specific, as it now is in the present paragraph, and have the clause read as follows:

"Shot, grit, or sand in any form, made of iron, steel, or any other metal, 1 cent per pound."

All the above we beg to respectfully submit, and shall be pleased to have an opportunity of giving any further detailed information substantiated by records, of cost and production and sale of the article.

Very truly, yours,

PITTSBURGH CRUSHED STEEL CO.,
By W. L. KAINE, *President*.

STATEMENT OF MR. W. F. BOARDMAN, OF CALAIS, ME., REPRESENTING THE CALAIS SHOT WORKS.

The CHAIRMAN. What is your full name?

Mr. BOARDMAN. W. F. Boardman.

The CHAIRMAN. Where do you reside?

Mr. BOARDMAN. At Calais, Me.

The CHAIRMAN. Proceed, Mr. Boardman.

Mr. BOARDMAN. Some 16 years ago we started in the manufacture of steel shot at Calais. At that time Mr. Tilghman, of Philadelphia, was the only manufacturer of iron shot in America. At the time we started in there Tilghman had virtually retired, or reduced his output on the market, the price being reduced at that time to some \$72 to \$75 per ton by the English, Scotch, and German manufacturers. We started in at that time manufacturing the article, and since that time our prices have remained on one basis. We are selling to some of our customers to-day at about the same price we sold to them some 16 years ago. At that time, after some two or three years, Mr. Tilghman retired entirely from the field, leaving us as the only manufacturers on this side of the water of iron shot, iron, sand, or whatever term you use. During that time, as I said before, our prices were not changed. We remained the only manufacturers of this article on this side of the water until some three years ago, when the Globe Steel Co. started at Mansfield, Ohio.

The CHAIRMAN. What profits has your company made since it started?

Mr. BOARDMAN. Our profit is very small. It has not exceeded any year 8 per cent on the money invested, not charging up the matter of salaries to myself, who manage the concern; all the running expenses of the concern, and allowing absolutely nothing for depreciation upon our plant.

The CHAIRMAN. Have you ever been asked to go into any combination among the American manufacturers to keep up prices?

Mr. BOARDMAN. We have never been asked by any manufacturer to enter any combination as regards selling price or anything of that kind.

The CHAIRMAN. What about the foreign manufacturers? Have they ever invited you to go into such a proposition?

Mr. BOARDMAN. About eight years ago we were asked to meet the foreign manufacturers of shot, who were then in this country, for the purpose of forming a combination. That we refused to do, flatly, as we had customers we had been selling to for some seven or eight years, and, as the proposition was to advance the price, we did not think it was fair to our customers.

Senator KERN. How many men do you employ?

Mr. BOARDMAN. We have only about 8 or 10. Our works are small.

Senator KERN. What is your annual output?

Mr. BOARDMAN. About 250 to 300 tons now per year.

Senator KERN. Has it been larger than that in the past?

Mr. BOARDMAN. Yes, sir.

The CHAIRMAN. Did these foreign manufacturers threaten to undersell you if you would not go into a combination?

Mr. BOARDMAN. Yes; they did. They told us that if we did not enter the combination with them they were so much stronger than we were that they would undersell us and put us out of business.

Senator HEYBURN. Who told you that?

Mr. BOARDMAN. The foreign manufacturers.

Senator HEYBURN. Who was it?

Mr. BOARDMAN. That threat was made by the Harrison Supply Co., of Boston, Mass., who are the only importers of shot in the United States now, as far as we know.

Senator HEYBURN. Where are their works?

Mr. BOARDMAN. Their works are in Scotland.

Mr. KANN. They are in Middleboro, England.

Mr. BOARDMAN. Middleboro, England.

Senator HEYBURN. Why do you confuse their location as between England and Scotland?

Mr. BOARDMAN. When they first started, as I understand it, they started at Aberdeen. I can tell you the start of the thing. Mr. Tilghman was the originator of the shot in this country—Mr. Tilghman, of Philadelphia. Some 8 or 10 years after he got to selling the shot there was a gentleman in St. Johns by the name of F. T. C. Burpee, who had an extensive stone plant at St. Johns. At that time the first price made by Mr. Tilghman was something like 16 cents a pound, with a close contract, as I understand it. He had at work for him at that time a man by the name of Johnson, as an engineer. This Johnson worked and found out a partial way to manufacture the shot as Mr. Tilghman was manufacturing it. Mr. Harrison was in business at that time in St. Johns, New Brunswick, as an importer of iron and steel. As I have understood it from Mr. Burpee himself, a partnership was formed, or an agreement entered into, that they were to go to Scotland, as I understood him—as I remember it, but it has been some 12 or 15 years since he told me—and establish works there for the manufacture of shot, which would be outside of Mr. Tilghman's patents in the United States. He took Mr. Johnson over there, the works were completed, were started, and Mr. Johnson worked there and showed them how. Then Mr. Johnson was thrown out of the business and had to come back to St. Johns in the fore-castle of a ship. That was, as he told me, the start of that concern.

Senator HEYBURN. And they afterwards moved to England?

Mr. BOARDMAN. They afterwards moved to England.

Senator HEYBURN. Is this material ever rescreened here to change the classification of the imported article?

Mr. BOARDMAN. That I do not know. It could be done, but to my knowledge no plant here does it.

Senator HEYBURN. So it is sold in the condition in which it comes into the country, as far as classification is concerned?

Mr. BOARDMAN. Yes, sir.

Senator CLARK. You said you preferred a specific duty?

Mr. BOARDMAN. Yes, sir.

Senator CLARK. That is the present law, is it not?

Mr. BOARDMAN. Yes, sir; 1 cent a pound. My reason for that is that we make a great deal of very cheap sizes—very small, cheap sizes—that are of very little value. Under an ad valorem duty they could bring that in at a valuation of \$6 or \$7 per ton, and with a 20 per cent ad valorem duty that would only raise their tariff to about \$1.20 a ton; whereas now, with a \$20 per ton tariff on this, we are able to sell our product here at a reduced loss to ourselves. We sell a lot of our shot even now, quite a lot of it, at \$20 and lower per ton, just exactly their duty.

Senator HEYBURN. I suppose that very fine shot is almost dust, is it?

Mr. BOARDMAN. Yes, sir.

Senator HEYBURN. It is the result of screening the coarser shot?

Mr. BOARDMAN. It is what would run through what we will say is a 30 mesh to the inch down to a 70 mesh to the inch.

Senator CLARK. Can that be used for the ordinary purpose for which it is manufactured?

Mr. BOARDMAN. Only for very fine hand rubbing work, and such as that. It is used in some of the marble works for very fine scourings.

The CHAIRMAN. If that is all, Mr. Boardman, the committee will hear another representative of your trade.

Mr. Boardman submitted the following paper:

SCHEDULE C, PARAGRAPH 133, METALS.

In the late sixties iron shot, in which I am interested, was patented by Mr. Tilghman, of Philadelphia. Prior to this time sand was exclusively used as an abrasive for sawing and polishing stone, the manufacturer being able to accomplish more with the iron shot than with sand.

We have been in business some 15 or 16 years, and not a single year have our profits been abnormal.

We are opposed to an ad valorem duty for the following reasons: Under a specific duty we can dispose of the finer sizes of shot at a better rate, we being able to sell at a small price, thereby disposing of them at a small cost to manufacture instead of throwing them into the dump.

Ad valorem is not applicable to this material or article, as it is bought and sold by weight.

It is not a question of quality, only sizes, and the price is only fixed by demand.

In order to find a market for these off sizes we must meet the low price from abroad, and will not realize even one-half our cost to produce.

THE CALAIS SHOT WORKS,
By W. F. BOARDMAN, *Treasurer*.

STATEMENT OF MR. E. K. BACON, OF MANSFIELD, OHIO, MANAGER OF THE GLOBE STEEL CO.

The CHAIRMAN. Proceed, Mr. Bacon.

Mr. BACON. We started making shot in June, 1908. At that time the foreign material was selling up in the New England States, which is the market for shot—when speaking of the price of shot we usually consider the New England States as a market—for from \$70 to \$75 per ton; and we figured we could make some money at that price. When we started we were under the old Dingley basket clause of 45 per cent ad valorem. But shortly after we started and entered the market they cut the price, and we found very quickly we were “up against it.”

Senator KERN. Who cut the price?

Mr. BACON. The importer. And when I speak of the importer, I mean just one importer, because he has the exclusive agency for three of the four plants abroad; and the fourth plant makes very poor shot; very little of it comes over here, if any. Then we asked for 1 cent per pound specific, and we obtained it, and that allowed us to keep our plant running. Even at 1 cent per pound they are selling their shot for \$60 per ton, delivered, at Montpelier, Vt. I have

letters sent out last fall from this importer in which he quotes \$60 per ton for any of the sizes he handles and any of the brands. He also states he is the exclusive agent.

In a brief here, which I would like to hand in, I have stated what it costs us to make shot.

The CHAIRMAN. You may file your brief, Mr. Bacon.

Mr. BACON. We make our shot out of a mixture of scrap and pig iron. We have found it is necessary, in order to get round shot, and shot which is sufficiently hard so it will not wear out too quickly, and sufficiently tough so it will not break up, to use about one-third pig iron and about two-thirds scrap. But this pig iron we use is not ordinary foundry iron; it has to be very low in phosphorus and sulphur, and very high in silicon, and we have to pay a premium for this pig. We have got most of this of the Stewart Iron Works, at Sharon, Pa. They make a specialty of this class of pig iron. Our scrap iron has to be picked out of ordinary scrap iron. Our assistant superintendent goes all over the country to the different scrap-iron yards and oversees the loading of the cars, so as to pick out just the scrap he wants, and when he picks out this scrap for us, of course, it leaves the other scrap in poor condition, and they can not get a good price for the scrap that is left. Therefore they have to charge us a good premium for our scrap. In fact, our scrap costs us more than the pig iron.

Senator KERN. What does the pig iron cost you?

Mr. BACON. The last we got cost us \$18.50, delivered at Mansfield; that is a gross ton. Scrap iron we buy by the net ton, and there is a great deal of waste to it.

Senator KERN. What do you pay for scrap iron?

Mr. BACON. We have paid as high as \$16.25, and we have paid \$14.50.

Senator KERN. What is the average price?

Mr. BACON. A little over \$15.

Senator KERN. How many men do you employ?

Mr. BACON. We employ between 15 and 20, altogether.

Senator KERN. Have you been able to make a profit?

Mr. BACON. We have made a little profit. But if any of the officers of the company had a salary, as they have in most companies, we would have made no profit.

The CHAIRMAN. Do you pay any salaries?

Mr. BACON. No, sir. The president, vice president, secretary, and treasurer get no salaries.

Senator KERN. You are a corporation?

Mr. BACON. Yes, sir.

Senator KERN. What is the capital stock?

Mr. BACON. \$30,000.

Senator KERN. Are there any bonds?

Mr. BACON. No, sir.

Senator KERN. What dividends have you paid?

Mr. BACON. About 14 or 15 per cent.

Senator KERN. That has been your average dividend?

Mr. BACON. Yes; it would average pretty nearly that.

Senator McCUMBER. What is the amount of your output?

Mr. BACON. Last year, 1911, we sold about 1,600 tons; that is the entire shot we sold. About one-third of that is what we call salable

sizes. There are four sizes. I would like to hand this sample case around. Those are the principal sizes we make. The four medium sizes there are what we call salable sizes, because there is a demand for them. The other sizes we have to sell for whatever we can get for them in order to get rid of them at all. Some of them we have to dump.

Senator HEYBURN. Are those the four largest sizes?

Mr. BACON. The standard sizes are 3-C, 3, 3½, and 4. We have tons and tons of the finer stuff we use just merely to put on the floor in our warehouse instead of slag.

Senator CLARK. What do you use the larger sizes for?

Mr. BACON. Some of it we sell as scrap iron, to be used by the open-hearth furnaces, who are the only people who can use it. We tried to remelt it for shot, but it goes right through the cupola and runs down into the molten iron and chills it and spoils the product. Some of the real coarse is sold for crushing, to make crushed shot. This is just the way it comes out of the cupola. There is very coarse material and very fine material [indicating]. The coarser and finer are what we call off sizes, which are unsalable, practically, comprising about two-thirds of the entire output. All those sizes are made at once. There is no way of making one size, or two sizes. Some of that is used for making crushed shot. We call it scrap material. Some of it we sell as scrap iron in order to get rid of it. A great deal of it we use on the floor of our warehouse. We have no other use for it. It is used instead of slag.

Senator HEYBURN. What is it worth per ton?

Mr. BACON. At one time we were able to get \$2 a gross ton. We sold it for scrap iron, and when we sold the scrap to somebody we would pile that in to fill up the car.

Senator SMOOT. Has your production increased since the act of 1909?

Mr. BACON. Yes, sir.

Senator SMOOT. Have importations increased or decreased?

Mr. BACON. The importations have been the same. Before the act of 1909 this came in under the basket clause, so there was no record kept of the amount imported, and I do not know.

Senator SMOOT. I am perfectly aware of that; and it was on the representation made before the committee in 1909 that it was classified in that act, and, of course, the total ad valorem duty was greatly increased.

Mr. BACON. Yes.

Senator SMOOT. It is increased, I might say, from 45 per cent up to 72 per cent.

Mr. BACON. Yes, sir.

Senator SMOOT. And now I want to know what effect that has had on the price to the consumer in this country.

Mr. BACON. The price has been lowered. I have invoices here showing the price before that was passed, and I have letters from the importer showing what he is quoting now for delivered shot, and it has come from \$72 and \$75 down to \$60, which he is quoting now.

Senator SMOOT. Is that on account of foreign competition or local competition?

Mr. BACON. That is on account of our competition.

Senator SMOOT. How many concerns have you in the United States?

Mr. BACON. There are two concerns making round shot and one making a crushed material.

Senator SMOOT. And, of course, those two concerns are in sharp competition?

Mr. BACON. Yes, sir.

Senator SMOOT. And that is what brought the price down, rather than the foreign competition, or both?

Mr. BACON. I think it is both. I think it is all of us competing that has brought it down.

Senator JOHNSON. I understood Mr. Boardman to say he never had changed his price since he began business.

Mr. BACON. I would not know anything about that. I never met Mr. Boardman until yesterday.

Senator JOHNSON. I understood he had maintained the same price for 16 years.

Mr. BACON. I imagine the price is lower now than it was when he started, because I know the shot was selling up in that very district higher than it is now, and I do not think he would have sold any less than the importer did then.

Senator SMOOT. If this rate of 20 per cent goes into effect, do you think you could produce goods at a figure that would compete with the foreign manufacturer?

Mr. BACON. No; we could not make shot at all.

Senator SMOOT. It would simply mean the closing of your plant?

Mr. BACON. It would mean the closing of our plant. If we closed, this importer, who has the exclusive agency for the shot in this country, could raise his prices right up to where they were before we started. He is absolutely a trust. He has all of it and is protected, because he sold them for that before we started.

Senator HEYBURN. He has a monopoly?

Mr. BACON. He has a monopoly.

Senator HEYBURN. And you think he would put the price up if he got rid of your competition?

Mr. BACON. I would. I would get just as much as I could for it; there is no doubt about that. I am trying to get as much as I can. I am traveling all over the States trying to sell shot and get just as much as I can—which is very little.

Senator HEYBURN. So that if this present proposed rate goes into effect you would have control, and there would be nothing to prevent an imposition upon the consumer?

Mr. BACON. No, sir. The foreign manufacturers, in fact, among themselves have a combination. I have a letter to our superintendent from Peter Martyn over there, of Martyn Bros., in which he speaks twice of the local combination. Of course, we know there is a combination, but this is the nearest I have to any absolute proof that there is a combination.

Senator CLARK. What does he say?

Mr. BACON. Do you want the whole letter?

Senator CLARK. Just what he says in that connection.

Mr. BACON. He says:

I fully expected to have heard from you as promised, but apparently you will be thinking—

These people invented a new way to make shot, and they tried to sell us their patents for the United States. We investigated it and found it was not any better than our shot—

since we have put our shot on the market that we will be antagonistic to you. Well, that is not the case; I think the training you will have got in America will have knocked the Scotch jealousy out of you—

This is one Scotchman to another. Our superintendent is a Scotchman—

We have now one of the most up-to-date little works for the manufacture of grit—

They call it “grit” over there—

on the most economical lines, and we fear no competition. We only lose 5 per cent from the raw material, and we are in the position to deal with any quantity to control the shot trade of the world; it only requires a work placed in America, and one of your directors is presently doing Canada and America with the object of putting down a works. I was just thinking why not an amalgamation with your firm? It would be to your advantage and also ours. I feel sure if your directors see our plant at work, they would instantly adopt it. The war of prices with the British combine can not last long, and we are in a position to make a good profit at their producing price.

Senator CLARK. He does not seem to be a part of the combine over there.

Mr. BACON. No; he is not. In fact, he has failed. The firm is Martyn Bros., iron founders and engineers, of Airdrie.

Senator CLARK. The proposition was to make a combination to fight the British combination?

Mr. BACON. Yes. I just read this letter to show that the Scotch and British have combined and control prices over there.

Senator SMOOT. In 1909 you people stated to the Committee on Finance that the ad valorem duty of 45 per cent did not give the necessary protection on account of undervaluations.

Mr. BACON. Yes.

Senator SMOOT. I believed that statement; and in offering this amendment on the floor of the Senate, which was adopted, carrying the 1 cent per pound, I did so because I thought at that time it was absolutely necessary to protect this industry. You have been working under this rate for nearly three years, and I want to ask you a question and I want you to answer me frankly, whether you think that three-quarters of a cent per pound would still maintain your business?

Mr. BACON. Frankly, we might be able to run, but we could not make money, and I think we would shut down. In fact, I would be willing to assert that we would shut down at three-quarters of a cent per pound.

Senator SMOOT. That would be about an equivalent of 50 per cent?

Mr. BACON. You see it is rather hard to compare the specific and ad valorem duties, because they sell their shot over there from \$9 to \$30 per ton, depending upon the size. This principal importer in this case before the customs court now makes the sworn statement in several places that he buys the shot for from \$9 to \$30; or in another place he gives it in pounds and shillings—£1 17s. to £5 19s., and he reduces that to about \$9 to \$30 a ton.

Senator SMOOT. I have received quite a number of letters from the granite people of Vermont complaining that the price since the passage of this bill has increased. I would like for you to put in the record, if you have it, the price of your abrasives in 1909, 1910, and 1911, or the average price during those years.

Mr. BACON. Our price has been the same all three years, and we do not sell any. I do not believe we sold 10 pounds a year up in the Vermont district. We did not raise our price when the 1 cent a pound came on.

Senator SMOOT. Where are most of your customers located?

Mr. BACON. They are all over the United States. The main market is Vermont.

Senator SMOOT. I would like to have you put in the record the average price at which the abrasives were sold during those three years, if you can.

Mr. BACON. I have not got it, but I can make an approximation, I think. Do you mean the average price of all sizes, the standard sizes, the salable sizes?

Senator SMOOT. Take one standard size which you sell most of, and then give us the average price of that for 1909, 1910, and 1911.

Mr. BACON. It has been \$60 to the consumer up in the Vermont district all those years, delivered.

Senator SMOOT. It was \$60 when the article fell in the basket clause at 45 per cent, and it was \$60 when the 1 cent per pound was placed upon it?

Mr. BACON. Yes, sir. But before we started it was higher. It was up to \$75—from \$70 to \$75. But when we started the importer put it down to \$60 and we had to do it. At \$75 we could have made money, possibly.

Senator KERN. I understood you to say awhile ago that under the Dingley law, the 45 per cent duty, you found yourselves "up against it," to use your own language?

Mr. BACON. Yes, sir.

Senator KERN. And you advocated the increase in the Payne-Aldrich bill to 1 cent a pound?

Mr. BACON. Yes, sir.

Senator KERN. How did that benefit you if you did not get any more for your product if you maintained your price just the same?

Mr. BACON. When we make shot we get lots of fine sizes and coarse sizes. We can get only about so much for our standard sizes, which is more than what it costs us to make. But these finer sizes, what we call the off sizes, we have to sell at whatever we can get; and at 45 per cent ad valorem, when they can get them for \$9, about \$4.05 would be the duty, and it would cost them about \$15 to put them down in an American port. But under the 1 cent a pound rate it would cost them about \$15 more, about \$30. So we could make something on the off sizes we could sell, more than the other way, and that is the way we are able to keep going.

Senator CLARK. In other words, under the ad valorem duty it resulted in paying the duty, under the basket clause, on this most inferior part of the classification; is that it? Instead of paying the duty that would be carried by that standard size, they pay the duty on the valuation of the less valuable; is that it?

Mr. BACON. I do not know that I just understand you.

Senator CLARK. Under a 45 per cent ad valorem a part of the product worth \$9 would pay less duty than a part of the product that was worth \$30?

Mr. BACON. Yes, sir.

Senator CLARK. And they would get in the \$30 product under the \$9 valuation?

Mr. BACON. Yes, sir.

Senator CLARK. So that they paid the reduced duty?

Mr. BACON. Yes, sir.

Senator CLARK. On the good product?

Mr. BACON. Yes, sir.

Senator KERN. That was for the customhouse to figure, was it not?

Mr. BACON. I do not know that it would be. They have examiners there. But unless a man is cognizant of the different sizes of shot—

Senator KERN. That occurs in all lines of importations. One article would be worth \$10, another \$20, and another \$30. Do you mean to say they have no way of appraising, they have no method of appraisement, by which they can discriminate between a \$10 and \$20 and a \$30 article?

Mr. BACON. There were three examiners at the port of Boston who examined shot coming in, and they testified at this hearing that they did not know the difference in sizes. In fact, one man testified that No. 6, he thought, was the coarser size, whereas it was the finer size.

Senator KERN. In other words, they were entirely incompetent in the performance of their duty. It was not the fault of the law, but of the administration of the law.

Mr. BACON. Also, to make this thing a paying investment, or even to keep our heads above water, we have to sell a portion of our off sizes.

Senator KERN. What proportion of your business is made up of the sale of standard sizes, such as are used now in America?

Mr. BACON. One-third.

Senator KERN. About one-third?

Mr. BACON. One-third of the entire output; and this two-thirds is what comes in at a low valuation because there is not much demand for it?

Senator KERN. You make a profit, of course, on the other two-thirds?

Mr. BACON. No; it is only on the third we make a profit.

Senator KERN. The third is the standard size you sell to the trade?

Mr. BACON. Yes, sir.

Senator KERN. You make a profit only on that, and make no profit on the other two-thirds?

Mr. BACON. Yes, sir. But we have to sell the other two-thirds for as much as possible in order to come out at all.

Senator KERN. Do you sell the other two-thirds at a loss?

Mr. BACON. Yes, sir; absolutely.

Senator SMOOT. You have to on account of the goods not being perfect, which is the same as any other manufacturer would do, sell imperfect goods for less money?

Mr. BACON. Yes. The finer shot will not wear as well as the coarser.

Senator McCUMBER. If you had a specific duty of 1 cent per pound on the cheaper grades, it would enable you to sell the cheaper grades at enough higher price so that you could keep going?

Mr. BACON. Yes, sir. We can not sell all of the off sizes, but we can sell it to whatever demand there is for it in this country. There is only a certain demand in this country for shot anyway. It is not an article you could put on the market and advertise and say, "We are selling at a big reduction," and sell a lot of it. If you sell at 10 cents a ton you will not sell any more than at \$60. The only difference would be they might waste it a little more. There is just so much demand for shot. Abroad the foreign manufacturer can sell practically all sizes. Up in Sweden and Norway they use coarse sizes, and they ship goods to South America. There are two or three sizes over here that they do not use over there.

Senator CLARK. Is it a matter of fashion, or a matter of the material?

Mr. BACON. Both. There are different qualities in America. Up in Wisconsin the granite question controls. They demand a different kind from that they demand up in Barre, Vt. They get used to a different size. It is also on account of some shot being better for some granite than another. In Norway and Sweden they use some there for these different sizes, and what they do not use there they send over here.

Senator CLARK. Do you export any at all?

Mr. BACON. No, sir.

Senator CLARK. Is any exported from the United States, do you know?

Mr. BACON. No, sir.

Senator KERN. Do the foreign manufacturers compete with you in Wisconsin?

Mr. BACON. Yes; they ship right to Duluth by water. They can ship from Scotland around to San Francisco for from \$1 to \$2 a ton. They use it for ballast. It is put up in 100-pound bags, and they can put it in the bottom of a boat, and it is excellent ballast. It costs us \$25 a ton to ship from Mansfield to the coast. Therefore we do not sell very much to the coast, even at 1 cent per pound.

The CHAIRMAN. Several other gentlemen want to be heard, and if you are through with your statement, we will hear them now.

Mr. BACON. There is just one more matter I would like to speak about. The idea of the Underwood bill is to reduce the duty so that the consumer will get the article cheaper and enough still be imported at 20 per cent ad valorem so the revenues to the Government will not be decreased. [Laughter.] The Government got in 1911 over \$20,000 income on a thousand tons. There are about 3,000 tons used in the United States. If foreigners sold all of that, and you got only 20 per cent, the income to the Government would be about \$8,000 less, and the consumer would not get it a cent cheaper; he would pay more for it.

The CHAIRMAN. In the end the consumer would pay more, because you would be out of business and he would be at the mercy of the importer?

Mr. BACON. Yes, sir. It takes only about 25 cents worth of shot at the price they are paying for it now to completely work granite

or marble which is worth \$500 or \$600. Even if they had to pay 50 cents for it, that would not be anything on the cost of the granite.

Mr. Bacon submitted the following brief:

[Brief referring to Schedule C, metals and manufactures of, tariff act of 1909, paragraph 133. Submitted by Globe Steel Co., of Mansfield, Ohio.]

TO THE CHAIRMAN AND MEMBERS OF THE FINANCE COMMITTEE.

GENTLEMEN: We desire to place before you this statement of the cost of manufacture of iron shot, steel shot, iron grit, diamond grit, and other abrasives made from iron and steel.

CHILLED-IRON SHOT.

This chilled-iron shot is designated as iron shot, steel shot, iron grit, steel grit, diamond grit, or sand made from iron or steel.

HOW MADE.

The metal is heated to a fluid state in a cupola, then run to a large vat of water, where it is sprayed by a steam jet, which causes the hot metal to be broken up into small spherical drops. These drops solidify upon striking the water, making the shot known by the different names as designated above.

In making this shot it is necessary to use a special pig iron of high silicon and low sulphur and phosphorus content and selected scrap iron. This pig is much more expensive than ordinary foundry pig iron. The scrap is bought at a premium, because it must be picked from the inferior scrap, which is of not much value to the scrap dealer. This scrap costs us more than pig iron. The shot is made from a mixture of about two-thirds of scrap and one-third of pig iron.

USES.

This material is used for grinding down rough surfaces of granite, marble, and other stones; for sawing granite, marble, and other stones; for sand-blasting castings; and for any other purposes where an abrasive is required.

NUMBER OF PLANTS.

There are in these United States, at the present time, three plants making iron and steel abrasives: One at Calais, Me.; one at Pittsburgh, Pa.; and one—the Globe Steel Co.—at Mansfield, Ohio. The ones at Calais, Me., and Mansfield, Ohio, make iron shot, and the one at Pittsburgh, Pa., makes both iron and steel abrasives.

WHEN THIS PLANT STARTED.

The Globe Steel Co. commenced the manufacture of iron abrasives on June 10, 1908.

Cost to produce 10 tons of shot.

Labor.....	\$47.17
Fuel.....	10.32
Coke.....	25.30
Brick, limestone, sand, etc.....	5.00
	87.79
10 per cent depreciation of plant, per week.....	\$50.00
6 per cent interest on \$30,000 investment, per week.....	36.00
Insurance and taxes.....	10.00
	96.00
As we make 30 tons of shot per week this sum, \$96.00, becomes \$32.02 for 10 tons of shot.....	
	32.02
Total cost to produce 10 tons.....	
	119.81

COST TO PRODUCE 1 TON OF SHOT.

The cost to produce 1 ton of shot would therefore be one-tenth of the above amount, making \$11.98.

Additional items of expense per ton.

Cost of production from above.....	\$11.98
Burlap bags.....	1.68
Pig and scrap iron.....	15.06
Freight to New England States.....	6.80
	35.52

The New England States are the principal market for shot.

COST 20 PER CENT TO MARKET THE SHOT.

We find that it costs us 20 per cent of our proposition cost to market the goods and to pay the overhead expenses, making the total cost, per ton:

Cost as given above.....	\$35.52
20 per cent to market.....	7.10
	42.62

COST OF TON OF SHOT.

From the foregoing it is seen that 1 ton of shot will cost \$42.62 to produce and market.

SIZES PRODUCED.

The Globe Steel Co. makes 16 sizes of shot. The size depends upon the mesh sieve through which the shot passes when being sorted.

We manufacture the following sizes: 0, 1, 2, 2½, 3c, 3, 3½, 3¼, 4, 4½, 5, 5½, 6, 7, 8, and dust.

BUT FOUR SALABLE SIZES.

Sizes 3c, 3, 3½, and 4 are what we call "standard" sizes, because these 4 sizes are the ones for which there is a market. The other 12 sizes are called "off" sizes, because there is very little market for them, and therefore they must be sold at a loss in order to dispose of them at all. Some of these "off" sizes are sold for as low as \$5 per ton, and the highest price received for any of them is \$41 per ton. The average price received for these "off" sizes is, therefore, \$23. This makes an average loss of \$14.62 per ton that we sustain on these "off" sizes. The "off" sizes comprise about two-thirds of our entire output.

COST OF FOREIGN SHOT.

Foreign shot is graded in the same manner, and the sizes are similar to our grading. The latest quotations on foreign shot which we have been able to obtain are:

Size shot.	Cost abroad.	At \$4.85 per pound sterling.	Plus 1 cent per pound duty at present.	Plus \$2.50 ocean freight.
	<i>£. s. d.</i>			
2, and 2½.....	5 12 6	\$27.25	\$47.25	\$49.75
3.....	5 7 6	26.25	46.25	48.75
3, 3½, 3¼, and 4.....	6 10 0	31.50	51.50	54.00
4 and 5.....	5 12 6	27.25	47.25	49.75
5 and 5½.....	4 00 0	19.40	39.40	41.90
6, 7, and 8.....	2 15 0	13.30	33.30	35.80

The average cost of foreign shot delivered to American ports is, from the above, \$46.04 per ton net, after the specific duty of 1 cent per pound and the ocean freight of \$2.50 has been paid.

To substantiate the above prices we beg to refer you to the testimony of Mr. Nathan C. Harrison, the largest importer of this material in the United States. As given before General Appraiser Sharrets, in Boston, Mass., on November 9, 1910, page 6:

"Question. The invoice cost to you?

"Answer. We pay £1 17s. 0d. for the finer material; that is, the iron-sand sizes, and £5 19s. 0d. for the coarser sizes."

Again, Mr. Harrison on March 1, 1911, testified at Boston, Mass., before General Appraiser Waite.

"From about nine to thirty dollars a ton."

From this testimony of the largest importer of material we find that the average cost of foreign shot is \$19.50. Adding in the \$22.50, the duty and ocean freight, to this, gives the cost of foreign shot delivered to American ports of \$42. This makes the cost of foreign shot \$0.62 less than the cost of production to the American manufacturer.

DUTY NEEDED.

Under the Dingley bill we had a duty of 45 per cent ad valorem. We, however, discovered shortly after starting that we could not make a profit while competing against this low duty. Then the present law granted us a duty of 1 cent per pound specific, which permitted us to keep our plant running. When we commenced the manufacture of shot on June 10, 1908, the foreign shot was selling in the New England States, the market for shot, at from \$72 to \$75 per ton, delivered to the consumer. (When the duty was 45 per cent ad valorem.) When we entered the selling price dropped to \$60 per ton, and lower, delivered to users, in spite of the new duty of 1 cent per pound specific.

Therefore, the consumers are paying less to-day for shot than they were formerly under the duty of 45 per cent ad valorem. This shows the large profit made by the foreign manufacturers.

We have bills, invoices, etc., showing the above facts.

We are not asking for protection on an inferior quality of goods, as we can prove by numerous letters from our customers in which they highly recommend our shot. Also the fact that we sold over 1,500 tons of shot last year as compared with 1,031 tons of foreign shot entered for duty in one year, shows that our shot has the merit.

The foreign manufacturer can procure unskilled labor for from 80 cents to 85 cents per day, whereas we have trouble in obtaining this class of labor for \$1.80 per day. Mr. Harrison made the sworn statement, at Boston, Mass., on November 9, 1910, before General Appraiser Sharrets:

"Question. What kind of labor do you employ in that process?

"Answer. Unskilled labor entirely."

The foreign manufacturer has the entire world for his market, whereas we have but the United States for our market. The foreign manufacturer can, because of the diversified market, dispose of all sizes, both "standard" and "off" sizes.

One of the largest makers of shot abroad is a syndicate, known as the Aberdeen Grit Co., composed of users of shot, who very likely get their shot at cost, and who realize a profit on all goods shipped to America, which goods are sizes which they do not use themselves, thus using the United States for a sort of dumping ground for their surplus sizes.

SPECIFIC DUTY NEEDED.

We feel that a specific and not an ad valorem duty is required as the material is all bought and sold by weight. The cost of shot does not depend upon the workmanship, as it does on almost all commodities. In the case of almost all articles the cost depends upon the work in making the object and not upon the weight of the material from which it is made. Two articles of the same weight may have widely different costs of production, due to the work put upon their manufacture, and so a specific duty on the weight of such articles would be amiss. Likewise an ad valorem duty upon shot which is sold entirely by weight, would be wrong.

In the "iron-sand" case, hearing at Boston, Mass., on September 28, 1911, before General Appraiser Waite, on page 6, and the following pages, two examiners at the port of Boston were unable to distinguish between \$9 and

the \$30 sizes of shot. In fact, on page 18 of this testimony Examiner Wallace W. Hirtle did not know whether a No. 6 shot was coarse or fine. He thought that this size was large shot, whereas the size was very fine. The different sizes of shot are very nearly alike, and it is impossible for a person not fully experienced to differentiate between the sizes. It is therefore necessary that the duty be a specific one, of so much per pound, and not an ad valorem duty.

This is necessary both as a protection to the Government and to the American manufacturers.

We therefore earnestly ask that the clause be inserted as follows:

"Shot, grit, or sand, in any form, made of iron, steel, or any other metal, 1 cent per pound."

STATEMENT OF MR. FRANK SAMUEL, OF PHILADELPHIA, PA.

Mr. SAMUEL. Mr. Chairman and gentlemen, it is not my intention to take up the committee's time in a general discussion of the tariff. I desire especially to call attention to one great error that has been made in the bill now passed by the House. In lines 5 to 13, second page, covering as in the dutiable list iron in pigs, etc., many changes have been made in the present bill from the law now in effect. One change made from the Aldrich bill, whether intentionally or not, if this bill becomes a law, would have a most serious and baleful influence on the steel-making industries of this country. It is that ferromanganese has been taken from under the classification of pig iron under the existing duty of \$2.50 a ton, and placed as an electrolytic alloy taking a duty of 15 per cent ad valorem.

This must be clearly an oversight or must have been done in ignorance of the fact that ferromanganese is made in a blast furnace by the same methods used in the reduction of iron ore to pig iron, whereas it is now classed with the electrolytic products, such as chrome, chromium metal, ferrochrome or ferromanganese, which are made by electrolytic reduction processes.

The increase in duty under the present bill would be in the neighborhood of 180 per cent, or changing the duty from \$2.50 to \$5.70, taking the present market value of ferro as imported to this country. Ferromanganese is produced by the smelting of manganese ores and is absolutely essential for the production of open-hearth steel. No open-hearth steel can be made without the use of ferromanganese, and it was due to the discovery of the use of manganese that the Bessemer process was perfected. Since that day no steel of any kind has been produced without the use of manganese, either in the shape of spiegeleisen or the product known as ferromanganese.

One of the remarkable conditions attached to this is that up to the present time there has been practically little, if any, manganese ore found in this country. The ore used for the making of ferromanganese comes only from Russia, Brazil, and India, and although there has never been any duty on this mineral, no one has undertaken to produce ferromanganese here, with the exception of the Steel Corporation, who are enabled to produce ferro for special reasons, and only make sufficient for their own consumption. Consequently every steel maker, with that exception, is compelled to purchase ferromanganese from whichever country can produce it the cheapest.

The use of ferromanganese in the steel-making process is entirely different from that of any so called alloy; in fact, ferromanganese is not an alloy, but is added to the steel for the purpose of decarbonizing, whereas the other alloys mentioned in this same class are added

to the steel for the purpose of making special steels of different characters

Senator LODGE. May I ask you a question, there?

Mr. SAMUEL. Yes, sir.

Senator LODGE. What is the present duty on ferromanganese?

Mr. SAMUEL. \$2.50 a ton.

Senator LODGE. And under the Underwood bill what will the duty be?

Mr. SAMUEL. Fifteen per cent ad valorem.

Senator LODGE. That would be how much?

Mr. SAMUEL. At the present market price, it would be \$5.70.

Senator SMOOT. The equivalent ad valorem is $6\frac{1}{2}$ per cent, and the House bill provides 15 per cent, an increase of 8.48 per cent—over 100 per cent, or about 100 per cent, increase.

Mr. SAMUEL. The importations of ferromanganese for the year ending June 30, 1911, at the various ports of this country were 105,527 tons; the duty assessed on which was \$263,888. The rate of duty up to the present time on each succeeding bill has been steadily reduced. The former bill calls for a duty of \$4 a ton.

The CHAIRMAN. What was the object of increasing the duty at this time?

Mr. SAMUEL. Ostensibly, to produce revenue for the United States Government.

The CHAIRMAN. How much increase of revenue would the increase of duty produce?

Mr. SAMUEL. At the same rate of importation as last year, about \$275,000. A great increase of duty might tempt some manufacturer to start business in this country, if he could obtain the ore, and consequently there would be less revenue than before.

Senator CLARK. How much ferromanganese is produced in this country; do you know?

Mr. SAMUEL. The Steel Corporation has one furnace that makes the ferro for their own use. They do not sell any ferro for the outside steel makers.

Senator KERN. Eighty-two thousand tons were produced, according to this, last year.

Mr. SAMUEL. The duty has been, up to this time, steadily reduced by each succeeding bill, in view of the fact that no workingman's wages were hurt by the importation of this material—in fact, it would be a benefit to every man working in the steel works to see this material come in free, as it would reduce the cost of making steel by that much. Any increase in duty made on the importation of ferromanganese, while it might give a small additional revenue to the Government, would be an additional hardship on every maker or open-hearth steel in this country. Particularly this would be the case in view of the fact that it is now proposed to reduce the tariff on finished products; and while they propose doing this, at the same time, by increasing the duty on ferromanganese they would increase the cost of making steel, without any material benefit to the workingman or the Government. Ferromanganese should stand by itself, as an alloy, and should take a separate duty from the other alloys.

I would also hope that your honorable committee would not consider any question of ad valorem duty on a commodity such as this.

Ferromanganese is sold under contract by the year. The price changes materially from time to time, due to the difference in the prices of the ores. Manufacturers, if they attempted to purchase ferromanganese under contract, would be speculating on the price of this material. For instance, at the present time the price of ferro is \$41 a ton. Four months ago it was \$37. Two years ago it was \$85. Under the ruling of the Government that *ad valorem* duty should be assessed at the time the importation is made, there could be no certainty as to the price at any one time. I might make a contract for ferro at \$41, and before the contract had been completed, the selling price might be \$85 in England and the duty would be 15 per cent on \$85, or \$12.75 a ton, instead of possibly \$5.70 a ton at the time the sale was made. In either case it would be the manufacturer who would have to take the risk, or the importer in this country, and such a risk would be a great speculation for anyone doing the business.

Senator McCUMBER. Does this bill provide for any compensatory duty on the articles you produce, to correspond with the raise in the duty on the raw product?

Mr. SAMUEL. On manganese ore?

Senator McCUMBER. Yes.

Mr. SAMUEL. There is no duty on the manganese. It is on the free list. There has never been a duty on manganese ore.

Senator McCUMBER. Is there a duty under this bill?

Mr. SAMUEL. No, sir; it is on the free list. There is practically no manganese in this country.

Senator McCUMBER. I am not speaking of the ore; I am speaking of the ferromanganese. That is imported, is it not?

Mr. SAMUEL. The ferromanganese is produced from the manganese ore, just as pig iron is produced from iron ore.

Senator McCUMBER. There is a duty on ferromanganese; there is a duty on it now?

Mr. SAMUEL. The duty on ferromanganese is 15 per cent *ad valorem*, and ferromanganese is produced from manganese ore. Ferromanganese is a decarbonizer of steel, and in all open-hearth steel ferromanganese is used in a small percentage. It is not used for the manganese so much, but to decarbonize the steel.

Senator McCUMBER. The point I want to make is that they have raised the duty in this bill on ferromanganese, have they not?

Mr. SAMUEL. Yes.

Senator McCUMBER. That increases the cost of your production, does it not?

Mr. SAMUEL. Yes.

Senator McCUMBER. Have they given you a corresponding increase in the duty on the production, to correspond with what they have raised the raw product to?

Mr. SAMUEL. So far as I have gone into it, they have decreased the duties on all finished steel.

Senator McCUMBER. They have raised the duty on all raw products of the steel and then decreased the duties on the products that are made from it?

Mr. SAMUEL. Yes.

Senator SMOOT. The same as they intend to do with rubber, if the newspaper reports are correct.

Mr. SAMUEL. There is one other product I would like to mention in the same classification, under the same paragraph, and that is ferrosilicon. Ferrosilicon is made in two processes. There are two grades of ferrosilicon, as stated in this paragraph. One grade is under 14 per cent and the other grade is under 50 per cent. They are both assessed at 15 per cent ad valorem. The 14 per cent ferrosilicon is made in a blast furnace similar to pig iron. The 50 per cent grade is made in an electrolytic furnace, and should be classed with the other alloys. The 15 per cent product is a low-priced product, and is used as pig iron, and there is no reason why the duty on the 14 per cent ferrosilicon should not be the same as spiegeleisen or pig iron, which are made in the same way.

STATEMENT OF MR. EDWARD J. LAVINO.

Mr. LAVINO. I am engaged in the handling of domestic and foreign ores, metals, and ferro-alloys, and I want to call your attention to some matters on this proposed new bill.

On the matter of ferromanganese I agree absolutely with Mr. Samuel.

Senator HEYBURN. To what paragraph are you referring?

Mr. LAVINO. To paragraph 1. Ferromanganese is a product of the blast furnace, and the present duty is \$2.50 per ton. It should not be placed in the same paragraph with the other ferro-alloys, which are made in the electric furnace and by much more expensive processes.

Ferromanganese, moreover, is not made in this country, except by the United States Steel Corporation, who manufacture it only for their own use. They do not sell it. Therefore a considerable tonnage, varying from 100,000 tons to 150,000 tons a year, is imported for the use of the independent steel makers.

Senator SMOOT. Let me ask you if you know whether the United States Steel Corporation makes the ferromanganese from American ores or from imported ores?

Mr. LAVINO. Entirely from the imported ores.

Senator SMOOT. There are no American manganese ores to speak of, or in quantities that could be handled successfully?

Mr. LAVINO. No, sir; the manganese ore is scattered all over the South, but in very small quantities, and not workable profitably. There was one mine which worked for a little while, but it stopped.

Senator SMOOT. Was that in North Carolina?

Mr. LAVINO. No; it was in West Virginia, I think; somewhere there. It lasted for a little while and shipped a few thousand tons, and then worked out. The manganese ore is all imported. We import most of it, and we sell it to the United States Steel Corporation, which makes its own ferromanganese. I believe they do that simply for their own protection; not that they can make it any cheaper than they could buy it, but if a large consumer, like a corporation, should enter into the market, the prices would probably be doubled from what they are now.

The Underwood bill changes the specific duty of \$2.50 to an ad valorem duty of 15 per cent, thus increasing the duty from two to two and a half times. The price in 1911 was around \$38 at the At-

lantic seaboard. To-day it is \$41. Both these prices include the duty of \$2.50. This would make the price at the English shipping port about \$36, and the 15 per cent duty in the Underwood bill would amount to \$5.40.

Ferromanganese varies considerably in price, owing to the fluctuations in the price of manganese ore, from which it is made. During the Russian-Japanese War it went to \$150 per ton, because the Russian Caucasus is the largest source of supply of manganese ore, and at that time shipments from that country were virtually stopped. At that price the ad valorem duty proposed would amount to \$22.50 per ton. Such variations in the duty would make the purchase of ferromanganese by steel works a matter of speculation. It is customary for all these works to enter into contracts with the importers for their ferromanganese requirements during the following year, a specified tonnage being mentioned in the contracts, to be delivered in about equal monthly quantities. At present the price is made to include the duty, but if the ad valorem duty is maintained the importer will naturally refuse to assume the risk of a fluctuating duty over a whole year, and the whole burden will be thrown on the domestic independent steel maker. It can not be claimed that a higher duty on ferromanganese might induce some of the steel works to make their own ferromanganese, for none of them uses enough—except the United States Steel Corporation—to start a furnace to make that alloy, and as for a separate company starting the making of ferromanganese for resale in this market, it would be so terribly handicapped that it could not continue in business.

Senator KERN. Why would it be handicapped?

Mr. LAVINO. Because English standard 80 per cent ferromanganese is virtually the only ferromanganese imported, and all the English makers are syndicated and sell at the same price here. Besides, the price is fixed by the English syndicate for all countries. The price at which they sell in the United States is made considerably lower than that at which they sell in all the other parts of the world. The United States is used as the dumping ground, every one of the makers being allowed, in turn, to get rid of his surplus by shipping it to this country.

Senator CLARK. How much is the total importation; do you know?

Mr. LAVINO. Between 100,000 and 150,000 tons a year.

Senator KERN. What is that, manganese?

Mr. LAVINO. Ferromanganese.

Senator LODGE. Did I understand you to say that there was a syndicate in England that controlled the price?

Mr. LAVINO. Certainly.

Senator LODGE. They have no tariff in England, have they?

Mr. LAVINO. No, sir. Ferromanganese, of course, is largely made in Germany. It is made also in Austria. But none of the other countries have been able to compete with the English.

Senator KERN. Why not? When labor is so much cheaper in those other countries, why not?

Mr. LAVINO. Because of that reason which I stated just now, that the English sell here very much cheaper than they do anywhere else. They keep their high price at home.

Senator KERN. Do they sell at a loss here?

Mr. LAVINO. From what I understood when I was in London last year, and I met several of those manufacturers there, from what they told me they were running at a loss all last year of £1 a ton on their sales to the United States.

Senator KERN. Does Germany export ferromanganese?

Mr. LAVINO. Not much; they export a very little to this country, and only on special occasions.

Senator KERN. No; I am asking whether there is any export, from all Germany, of ferromanganese.

Mr. LAVINO. I could not tell you, exactly.

Senator KERN. How about the other countries? You say Austria exports some?

Mr. LAVINO. Yes; Austria has some export; and ferromanganese has come here, occasionally, when the prices went so very high and there was a shortage in England and everywhere else. Then, of course, the Germans and the Austrians came in.

Senator KERN. If an exorbitantly attractive price was charged in England, it would be no trouble, would it, to break up the syndicate by importations from Germany and Austria?

Mr. LAVINO. So far as I understand it, there is also a working arrangement between the English and the Germans and the Austrians. They have divided their territory.

Senator KERN. If there was no such working arrangement, it would be no trouble to break up the English syndicate?

Mr. LAVINO. I do not know.

Senator KERN. Suppose they were selling it at \$80 or \$90 a ton, and there was a good profit in it at \$50 a ton?

Mr. LAVINO. Yes.

Senator KERN. Would not that attract the German and the Austrian dealers there, Germany and Austria only paying about one-half the wages for labor that are paid in England?

Mr. LAVINO. Oh, no; there is not much labor in the production of ferromanganese.

Senator KERN. Yes; but there is some labor in it, is there not?

Mr. LAVINO. Very little. It is like the pig-iron business, you have a furnace, and there is very little labor.

Senator KERN. What would prevent Germany and Austria from shipping their ferromanganese into England?

Mr. LAVINO. Into England?

Senator KERN. Into England, and breaking up this English syndicate, if the English syndicate was charging exorbitant prices?

Mr. LAVINO. I do not say that they charge any such differences as those. They maintain their prices at a level where they can hold their trade, of course. There is never any profit of \$30 or \$40 a ton in ferromanganese. If the price goes up, it is because the manganese ore has gone up, too.

Senator KERN. I was just trying to find out how syndicates could exist, and rob the people of their own country, under free trade.

Mr. LAVINO. Well, it is not happening here, but it is happening there for the present. I would like to see the ferromanganese remain under the old duty of \$2.50 a ton—a specific duty.

As regards the other ferro alloys mentioned in that same paragraph, we import a good many of these electrolytic ferro alloys, and

at the same time we are selling agents for the Electro-Metallurgical Co. of this country, with several works, at Niagara Falls and Kanawha Falls. They manufacture most of the ferro alloys made from rare ores, and they are the largest manufacturers, or, possibly, the sole manufacturers, of high-grade ferrosilicon made in the electric furnace—the 50 per cent grade. As we have equally occasion to import these same ferro alloys, and are familiar with conditions on both sides of the ocean, we can truly say that the 20 per cent ad valorem duty in the Payne-Aldrich bill did not begin to cover the difference of conditions in the manufacture of alloys abroad and here. At this time, when the 20 per cent ad valorem duty is in effect, both the Canadian and the European ferro alloys are being imported in a large way, and prices have been cut considerably on several of these alloys. Here, again, the manufacturers of most of those alloys abroad are syndicated, and though maintaining high prices in Europe, they dump their surpluses into this country at low prices, forcing the domestic manufacturer to meet those prices, and offsetting in a way the supposed protection of the duty. Before the Electro-Metallurgical Co. started making high-grade ferrosilicon in this country the foreign syndicates were selling it here around \$100 a ton, and it is due to the starting of the domestic manufacture that the price has considerably decreased until it is selling at somewhere between \$68 and \$70 a ton, delivered at buyer's works.

If the duty is so reduced as to make it unprofitable for the Electro Metallurgical Co. to continue the manufacture of these ferro alloys, it is only natural to expect that the foreign syndicates will again take advantage of the absence of domestic competition to put their prices up to any level they choose, and our manufacturers of high-grade steels will be completely at the mercy of the foreigners. It is evidently to the interest of our own steel works to see that the domestic manufacturers of rare ferro alloys are maintained in business, as their competition with the foreign products keeps the prices down to a reasonable cost. The protection, therefore, should be adequate, so as to give the domestic manufacturer of ferro alloys and rare metals a living manufacturing profit, which we feel sure they can not have if the duty is reduced to 15 per cent ad valorem.

It certainly does not seem consistent to increase the duty on the only ferro alloy which is not made in this country, and which is made in a blast furnace, and to lower the duty on all those high-grade ferro alloys and rare metals that are made in the electric furnace at high cost and where high skill is necessary. In our opinion a duty of 15 per cent ad valorem on all those products means ruin to the domestic manufacturer.

Senator HEYBURN. The manufacturer of what?

Mr. LAVINO. Of these ferro alloys made from rare ores.

Senator CLARK. I understand you to say that the effect of this Underwood bill is to raise the duty on the product that we do not manufacture here?

Mr. LAVINO. Exactly.

Senator CLARK. And to lower the duty on the product that we do manufacture?

Mr. LAVINO. Exactly.

Senator SMOOT. To raise the duty upon the product that is produced in the blast furnace and is very cheaply produced?

Mr. LAVINO. Yes.

Senator SMOOT. And to reduce the duty on the product that requires the highest kind of skill and that comes in direct competition with the product of the manufacturers of foreign countries?

Mr. LAVINO. That is right.

The CHAIRMAN. Is that all, Mr. Lavino?

Mr. LAVINO. Excuse me; there is another paragraph that I want to take up if you will permit me.

The CHAIRMAN. Certainly.

Mr. LAVINO. This is on paragraph 44, bauxite, not refined or otherwise advanced in condition from its natural state, was taken from the chemical schedule and brought into Schedule C.

In that same paragraph in the Payne-Aldrich bill there is another article—another material, fluorspar—which has \$3 per ton duty. Fluorspar is an article, or a material, which is practically all used in the steel industry. A certain proportion of it is used for chemicals, for making acids, but possibly 90 per cent of it goes into the steel works. That material has always been free. Suddenly we got a duty of \$3 a ton on it—say over 100 per cent of the value.

We would respectfully submit that fluorspar, which was taken from the free list and placed in the Payne-Aldrich bill at the end of paragraph 90 in Schedule A, rightly belongs in Schedule C. "Metals and manufactures of," or, more properly, in the free list. All the fluorspar mined in this country or imported into the States is used in the steel works, and only a small proportion in the chemical trade. Bauxite was taken from Schedule A, paragraph 90, and carried into the metal schedule.

Fluorspar is a mineral containing a high percentage of calcium fluoride, and is found in this country, in veins, in southern Illinois and Kentucky. The domestic production has never been sufficient to supply the demand of the steel industry, and now, with even the almost prohibitory duty of \$3 per ton, which amounts to over 100 per cent of the value of the ore abroad, nearly 20,000 tons are being imported, notwithstanding the depression in business and the reduced production of steel in this country.

Senator SMOOT. What proportion is that of the total supply?

Mr. LAVINO. I could not state what the production of the domestic mines is in this country. I do not know. They furnish all the western district.

Senator SMOOT. Since the passage of the tariff act of 1909, has not the production of fluorspar, especially in Kentucky, greatly increased?

Mr. LAVINO. It has greatly increased, but still, you see, the importation is maintained.

Senator SMOOT. That is true, so far as that is concerned, because that comes from the general increase of the demand. But the object of putting fluorspar in the bill of 1909 was to develop that industry, that was just beginning in Kentucky and the southern part of Illinois; and, if I am correctly informed, they are to-day increasing rapidly in their production in both those States, and it will be only a short time until the production will increase hundreds of fold.

Mr. LAVINO. Then they do not need 100 per cent protection.

Senator SMOOT. Before, they could not work it at all, when it was free. The mines in Kentucky lay there without a man working them

until the duty of \$3 a ton was placed upon fluorspar. Now, as to whether that is too much, the importation price ought to fix that.

Mr. LAVINO. They are protected by the freights from the ocean to the mills, in a way, already.

Senator SMOOT. No; the freight rates from Kentucky to Pittsburgh, I think, are just as high as they are from Germany to Pittsburgh, if not higher. You may doubt that statement. I have not looked it up lately, but I know that we can ship goods from Germany clear through to Utah at a less rate than we can ship for from Ohio to Utah; and I have no reason at all to doubt that the rates from Kentucky to Pittsburgh are just as high as they are from Germany to Pittsburgh.

Mr. LAVINO. It may be so. I do not protest against any duty on fluorspar, but I think it ought to be more reasonable. Fluorspar is a material absolutely essential in the present practice of steel making, and is in all particulars in the same position as bauxite, in so far that the domestic production of both is not sufficient to satisfy the requirements of our industries, and vast quantities of these materials have to be imported.

Senator SMOOT. The manufacturers of aluminum are the greatest users of bauxite in the world, are they not?

Mr. LAVINO. Yes.

Senator SMOOT. They are not objecting to the rates that we impose upon bauxite as long as aluminum is protected.

Mr. LAVINO. They want a higher duty on bauxite, do they not?

Senator SMOOT. I do not see why they should if they could get the bauxite free and still maintain the rate on aluminum.

Mr. LAVINO. As I understand it, they own their own mines and have all the bauxite they can ever use, and it does not pay them to have others import the bauxite, so far as I can see.

Senator SMOOT. They do not own all the mines. And, more than that, if you are acquainted with the manufacture of aluminum you will know that they have to import a great deal of the red bauxite, because most of the bauxite that we produce in this country is the white bauxite, and in order to successfully make aluminum they must have a certain percentage of red bauxite.

Mr. LAVINO. Yes.

Senator SMOOT. And that is produced only in Germany.

Mr. LAVINO. Yes; and in France.

Senator SMOOT. In Germany and in France, I should say.

Mr. LAVINO. Bauxite in the Payne-Aldrich bill is dutiable at the rate of \$1 per ton, while in the Underwood bill it is taken from the chemical schedule and placed in the metal schedule, with a duty of 10 per cent ad valorem.

Senator SMOOT. What is that equivalent to; how much per ton?

Mr. LAVINO. That would be about 10 cents, I guess.

Senator SMOOT. Ten cents a ton? The average was \$3.95 a ton.

Mr. LAVINO. I think you can buy bauxite for about \$6 or \$7 or \$8 a ton. The red bauxite is sold as low as \$6 a ton.

Senator SMOOT. The red bauxite comes in because there is a large percentage of aluminum in it.

Mr. LAVINO. That heavy importations continue in fluorspar, notwithstanding a duty of over 100 per cent, is convincing proof that the material is essential and of first necessity to one of the largest,

if not the largest, of our industries, and is also proof that the domestic supply is quite insufficient.

Such a high duty under such circumstances hardly seems justifiable, the more so when a horizontal cut is contemplated on all steel products.

If fluorspar was restored to the free list, the domestic mines would always continue to furnish, as they do to-day, the steel works in the Illinois, Indiana, Ohio, and western Pennsylvania steel industries. Their freight rates to those points would sufficiently protect them, and the foreign spar could only be shipped to such districts when the domestic mines would not be in position to supply the requirements of the steel works. On the other hand, the eastern Pennsylvania steel works, which are now using the foreign material and are paying the duty of \$3 per ton, would get relief.

As a matter of fact, the domestic fluorspar is of superior quality, the ore being mined from regular fluorspar veins and then washed and shipped in a clean state, containing from 95 per cent to 98 per cent calcium fluoride. The foreign material, properly speaking, is not a fluorspar, but a gravel taken from the dumps that have accumulated for centuries around the lead mines in England. The gangue of the lead ore which was thrown on these dumps was found to contain from 70 to 80 per cent of calcium fluoride, and when shipped to this country it is generally guaranteed to contain about 70 per cent, the balance being dirt. It is known as gravel spar and, strictly speaking, should not be classified as fluorspar when shipped in that state. The Treasury Department now collects a duty of \$3 on this gravel spar under the contention that it is fluorspar, although it contains from 25 to 30 per cent of dirt. Therefore the duty on this valuable content, which is a calcium fluorite, really amounts to about 130 per cent. This gravel spar is sold to-day at \$7.50 f. o. b. cars, seaboard, United States. Of this price \$3 is duty, \$1.50 to \$1.75 is ocean freight, and this leaves from \$2.75 to \$3 a ton, as the value of the material at the shipping port abroad.

Lately one of the foreign lead mines, having water within reach, started shipping washed gravel spar, thus raising the per cent of calcium fluoride in the spar to 90 per cent or 95 per cent. This washed gravel spar, we think, is rightly classified as fluorspar.

In conclusion, we beg to submit the following:

First. That fluorspar should be taken from schedule A and placed in the free list, where it was before the Payne-Aldrich bill went into effect.

Second. If this is not deemed advisable, then it should be treated like bauxite, and taken from schedule A and placed in schedule C at a similar duty of 10 per cent ad valorem.

Third. If any duty is placed on fluorspar, a distinction should be made between the high grade washed spar and a low grade gravel spar, the dividing line being a content of 80 per cent calcium fluoride.

Senator SMOOR. The foreign exporter generally attends to that, does he not? He will not ship gravel very much longer, will he, if he is shipping it at all?

Mr. LAVINO. They have no water there.

Senator SMOOR. Do you know how much was imported to this country.

Mr. LAVINO. When it was free there was 50,000 to 60,000 tons being imported. Now I think there are about 20,000 tons.

Senator SMOOT. Austria and Hungary exported but 10 tons. From Germany there were exported 127 tons.

Mr. LAVINO. That is a very high grade, for making fluoric acid.

Senator SMOOT. I will give you the whole of it. From the United Kingdom there were exported 16,063 tons. That makes a total of a little over 16,200 tons. At \$3 a ton that was only \$48,000. That was the whole amount of fluorspar that the entire steel industry used.

Mr. LAVINO. Yes; but that does not change the fact that there is a protection of about 130 per cent on that article, besides the difference in freight.

We submit, fourth, that a material of such primary necessity to the making of good steel should not be dutiable, when the domestic supply is so evidently insufficient; but, if some duty is deemed advisable, then in no case should it be over 25 per cent at the extreme, because the domestic mines, having already the advantage of their location, being in easy reach of the largest steel districts, and of low rates of freight, certainly do not need 100 per cent protection plus the difference in freight between their rates and the rates from the seaboard to the Pittsburgh, Ohio, Indiana, and Illinois steel works.

Senator CLARK. You think it should be 25 per cent?

Mr. LAVINO. I think that would be reasonable.

Senator CLARK. Do you think that it would be sufficient? It might be reasonable, so far as the manufacturer of steel was concerned; but would it be sufficient for the industry itself to flourish here?

Mr. LAVINO. I think that the domestic mines can take care of themselves very well.

Senator CLARK. But is it not true that, before this bill was enacted, they were apparently unable to take care of themselves?

Mr. LAVINO. They were not at that time equipped to take care of the business.

Senator SMOOT. They tried it before and failed, and the equipment absolutely went to ruin.

Mr. LAVINO. From all statements the ore was not there. In fact, when we were dealing with the Carnegie Steel Co. they told us they would not touch the domestic ore at any price, because they had made contract after contract and the ore had not been delivered. They could not live up to the contract. They were not in a position to do it. But since then the conditions have changed considerably. Those companies have put themselves in condition to do it.

Senator CLARK. To what do you attribute this change in conditions?

Mr. LAVINO. Which change?

Senator CLARK. The change that you speak of. You say that they could not produce the ore before and now they are in condition to do so. To what do you attribute that?

Mr. LAVINO. I can not say, except possibly they have more capital and more—

Senator CLARK. Do you think the protective tariff that was given them had anything to do with that?

Mr. LAVINO. Considerable.

Senator CLARK. You think they have established themselves on a basis, now—

Mr. LAVINO. Where they can make big profits.

Senator CLARK. And they need less than this to protect them?

Mr. LAVINO. They are in shape now to stand with very much less than that.

Senator CLARK. What would you say, then, to a reduction on the manufactured products of steel? That industry has grown probably large and faster than any other industry.

Mr. LAVINO. Yes.

Senator CLARK. Would it not also be able to maintain itself without a protective duty, following your course of reasoning?

Mr. LAVINO. They are certainly proving that they are, by these conservative cuts they have been making, one after another.

Senator CLARK. Yes. Then you approve of the cut in the Underwood bill?

Mr. LAVINO. No; I think it goes too far. They are not yet prepared for that.

Senator CLARK. What is your business, principally? Are you importers of these materials?

Mr. LAVINO. We are large importers of foreign ores and metals and alloys, and also sell domestic manufactured alloys. We are sales agents for the manufacturers of the ferro alloys in this country.

Senator CLARK. You manufacture none yourself?

Mr. LAVINO. None.

STATEMENT OF MR. ROBERT J. HEARNE, REPRESENTING THE DURBROW & HEARNE MANUFACTURING CO.

The CHAIRMAN. Whom do you represent?

Mr. HEARNE. The Durbrow & Hearne Manufacturing Co.

The CHAIRMAN. What paragraph of the bill are you interested in?

Mr. HEARNE. Paragraph 73, and also paragraphs 64 and 33.

The CHAIRMAN. What is the product that you manufacture?

Mr. HEARNE. We only manufacture, in a small way, sewing machines, and we import sewing machines and embroidering machines.

The CHAIRMAN. You wish to be heard generally on embroidering machines?

Mr. HEARNE. On both. I not only represent the Durbrow & Hearne Manufacturing Co., but I think I am justified in saying that I represent other makers of embroidering and sewing machines. There are about 12 concerns in the business, and with all of them I am acquainted, and I have discussed the matter with them.

I also wish to present the side of the consumer, who does not seem to be much in evidence at present. I wish to speak for the consumer and the importer.

Contrary to the views of most of the people who have appeared before this committee, I wish to support the Underwood bill, in so far as it concerns the following items:

Sewing machines, paragraph 73; embroidering machines, paragraph 64; needles, paragraph 33; manufactures of metal, not specified, paragraph 66.

I do not know of any item which more properly belongs on the free list than sewing machines. There is no other article I can think of which is so essentially American. Practically all the original

inventors were Americans. Their names are familiar to all—Howe, Singer, Wheeler, Wilson, Willcox & Gibbs, Grover, Baker, Wilson, Weed, Secor, and many others.

The comparison between exports and imports of sewing machines is astonishing. For instance, for the year 1910 exports of sewing machines and parts were \$7,518,854, and for 1911 \$9,039,840; while the imports of sewing machines for the same years were only \$78,964 and \$52,776, respectively—less than 1 per cent. The present duty is 30 per cent; heretofore it was 45 per cent.

The Singer Manufacturing Co. is the dominant figure in the manufacture of sewing machines. It does probably 75 per cent of the American business and possibly 50 per cent of the business of the world.

Senator CLARK. They are also foreign manufacturers?

Mr. HEARNE. Yes; they have factories in Glasgow and in Hamburg. I have seen it reported that Mr. Chase, of Cleveland, appeared before this committee as a representative of the independent sewing machine manufacturers. There are no independent sewing machine manufacturers, in the sense of being outside a trust, because there is no trust. I hold no brief for the Singer Manufacturing Co., but they have no monopoly. Their growth is marvelous, but legitimate. Mr. Chase is reported as saying that if sewing machines were admitted duty free the Singer Manufacturing Co. would have an absolute control of the trade. This could not be, for the simple reason that the Singer Manufacturing Co. sells only at retail.

Senator CLARK. How much of the trade does the Singer Manufacturing Co. control now?

Mr. HEARNE. I think they control 75 per cent. The Singer Manufacturing Co. sells only at retail, and therefore does not compete on price in any way with other manufacturers, and they sell at wholesale to dealers.

Senator SMOOT. You say that the Singer Manufacturing Co. does not sell to jobbers?

Mr. HEARNE. No, sir; not a dollar's worth.

Senator SMOOT. Anywhere in the world?

Mr. HEARNE. In the United States. They sell only to their own salaried agents.

Senator SMOOT. Let me go further than that. Take a town of any size, I do not care whether it has a population of 500 or 5,000 or 50,000, does the Singer Manufacturing Co. only have one agency in that town?

Mr. HEARNE. That is all.

Senator SMOOT. But they do see that they have that one agency?

Mr. HEARNE. Practically in every town of any size.

Senator SMOOT. How do they compensate the agent?

Mr. HEARNE. They pay him a salary.

Senator SMOOT. They sell the machines directly by carloads to the agent?

Mr. HEARNE. No, sir; I have been in the business 30 years, and they do not do that.

Senator SMOOT. When did they stop it?

Mr. HEARNE. They never did it.

Senator SMOOT. You are quite sure of that?

Mr. HEARNE. Yes; I know it. They have contracts of 30 years ago, where they did sell, or 25 years ago. I know of several of them.

Senator SMOOT. I know of several of them, too.

Mr. HEARNE. I know of several of them that were very valuable, of 30 years ago.

Senator CLARK. Does the Singer company pay its agents a salary or a commission?

Mr. HEARNE. They pay their agents a salary and commission; in some cases a straight salary, but the agents who sell the machines have a salary and they have some commission outside of the salary.

Senator CLARK. Do they always have some salary outside of the commission?

Mr. HEARNE. Not always in small towns.

Senator CLARK. Then they do carry on a commission business. In other words, they sell to the man who sells?

Mr. HEARNE. No, sir; they never do.

Senator CLARK. I confess that I can not get the line of distinction. There may be a theoretical distinction, but there is no practical distinction.

Mr. HEARNE. The seller never owns the goods that he sells. He sells them for the account of the Singer Manufacturing Co.

Senator SMOOT. Is he responsible for the notes given for the machines when they are sold to customers?

Mr. HEARNE. No, sir.

Senator SMOOT. Do you mean to say that the Singer Manufacturing Co. allows a man to take a wagon and go from house to house, and that it allows him to leave a machine and sell it and take a note for it, and perhaps take an old machine in part payment, and that the Singer Co. is responsible for that with the party indorsing the note?

Mr. HEARNE. Yes; certainly. He is their employee. He is directly on a salary or as an agent.

Senator SMOOT. And every man who goes around from house to house has a right to say as to whether credit shall be given or not?

Mr. HEARNE. No, sir; he has not. He is subject to his office on that. There is a system of offices. I know that 20 years ago the Singer Co. claimed to have 5,000 agents in the United States. I do not know how many they have to-day, but they claimed that many 20 years ago. You can hardly find any place where there is not a Singer sewing machine sold, wherever you may go, all over the world.

Senator SMOOT. The independent companies, then, as they called themselves here the other day, do not do business that way?

Mr. HEARNE. There is no reason why they should not, if they had the brains that the Singer Co. has.

Senator SMOOT. I do not think that requires any special brains. If these people can sell their machines outright, and they prefer that to the commission business, I think that is legitimate, and perhaps a little more so than the commission business.

Mr. HEARNE. The Singer Manufacturing Co. does not do a commission business in the sense in which you understand it. Their goods are sold by them through their employees.

Senator CLARK. Suppose a Singer sewing-machine agent starts out from a country town through the country and makes a contract for a machine, or sells a machine, partly for money and partly in trade for

an old machine, or partly for notes and partly in trade for an old machine; does that contract require the approval of some division agent or something of that sort?

Mr. HEARNE. Yes; the system is very highly organized.

Senator CLARK. Do they not leave the machine right then and there?

Mr. HEARNE. No, sir; not necessarily. The judgment of the salesman is used. He is acquainted and knows with whom he is dealing.

Senator CLARK. When the purchaser signs the notes, he signs one of these iron-clad contracts that the machine does not go into his possession until every dollar is paid?

Mr. HEARNE. Yes; and then the courts throw that out. When the person who buys the machine is about a year behind in his payments the courts will throw it out then.

Senator CLARK. Notwithstanding that fact, they still have the same kind of notes?

Mr. HEARNE. They do not do so much of that.

Senator CLARK. Of course, I never bought many sewing machines, but I had supposed that when one of these agents went out from a little town and sold a machine the buyer came into immediate possession of the machine.

Mr. HEARNE. Yes; they may sell to them on open credit, if they wish. The laws of the various States differ.

Senator CLARK. When I speak about possession, I am speaking of physical possession, not legal possession. I supposed that he delivered the machine.

Mr. HEARNE. Not always.

Senator CLARK. I suppose that he could deliver the machine.

Mr. HEARNE. Yes; they have stocks of machines all over the country.

Senator CLARK. Yes. Now, if the agent takes the machine out of the wagon and puts it in the purchaser's house, and delivers it in that way, I had not supposed that that required any further approval by the company. It seems that I am wrong.

Mr. HEARNE. If the agent's judgment is good, and his manager trusts him, he can act on his own judgment. But if the manager has found that the judgment of a certain salesman is not good he will not rely upon it, he will investigate.

Senator SMOOT. Do they not take a chance? When they get double or three times what the machine cost, the balance of it they will take a chance on?

Mr. HEARNE. There is some chance taken, undoubtedly.

Senator SMOOT. Are you acquainted with the manufacturing of machines in this country?

Mr. HEARNE. We have manufactured some sewing machines ourselves, and still make them.

Senator SMOOT. Do you know what it costs the Singer Manufacturing Co. to manufacture, say, a drop-top machine with six drawers, one of their good machines?

Mr. HEARNE. I think I can give you a fair estimate on it; yes.

Senator SMOOT. About what will that cost the Singer company to make?

Mr. HEARNE. In the first place, I think that the Singer company is in position to manufacture as cheaply as, or cheaper than, any other manufacturer in the United States.

Senator SMOOT. I believe that.

Mr. HEARNE. And I know that I can buy a machine such as you describe—I have the catalogue here—for about \$12 to \$13, at wholesale, one at a time. The Singer Manufacturing Co. say—I have heard their officials state—that the cost of that kind of a machine is \$9.50 to \$10.

Senator SMOOT. And when that \$9.50 or \$10 machine is shipped out to any place in the West, in Wyoming, or any of the States in the West, a man takes that in a little rig and goes out and sells it, and the consumer pays \$70 for that, does he not?

Mr. HEARNE. I think those figures are high.

Senator SMOOT. That is not high, so far as our section of the country is concerned, because I have seen them sold for that, time and time again.

Mr. HEARNE. That is on long time, and it must be a fancy cabinet. I do not think that the price of a sewing machine such as you describe, sold on long time, is much over \$50.

Senator SMOOT. Do you think, then, this being a specially American business, as you have stated, the article costing, to purchase in this country, \$9.50 to \$10, and the consumer being compelled to pay \$60 to \$70 for it, that the mere fact of a 30 per cent duty is going to affect the price to the consumer at all?

Mr. HEARNE. If you will allow me to go further, I will go into that.

Senator SMOOT. That is a question which you could answer offhand.

Mr. HEARNE. I propose to do it, sir.

Senator SMOOT. Have you ever thought of this fact: That if sewing machines were free, all of the other American concerns here would be at a disadvantage in comparison with the Singer Sewing Machine Co.?

Mr. HEARNE. I know they would not.

Senator SMOOT. You know that they would?

Mr. HEARNE. I know that they would not.

Senator SMOOT. You think sewing machines can be manufactured as cheaply in this country as in any other country?

Mr. HEARNE. I know they can be.

Senator SMOOT. Then why did the Singer Manufacturing Co. go over in Scotland and start manufacturing there?

Mr. HEARNE. I will explain that. The average person thinks that the family sewing machine is the sewing machine of to-day. It is not. The sewing machine of to-day has developed into a manufacturing machine. The family trade is very large, but it is only a percentage of the total business. The Singer Manufacturing Co. has been wonderfully successful, because it has developed the industry. They have made sewing machines to all sorts of things, such as making buttonholes, sewing on buttons, sewing corset steels into corsets, and a thousand and one things. If the other people would do the same thing as the Singer Manufacturing Co. did, and some of them have, they could compete with them successfully.

Now, I know that some of these companies are pretty large exporters. There is one company in Dayton, Ohio, and another in Illinois, which are large exporters, and I think they have no offices there but export offices.

Senator SMOOT. In other words, they do not sell any machines in this country?

Mr. HEARNE. Not in this particular territory. You asked me if American manufacturers could manufacture and compete with foreign manufacturers. I say the business of these companies is largely export. The amount of that business, \$9,000,000, shows it. That is not the export business of the Singer Co.

Senator SMOOT. The Singer Co. exports a large part of the \$9,000,000 worth of machines?

Mr. HEARNE. They export a large part of it.

Senator SMOOT. Not near all of it?

Mr. HEARNE. Not all of it, nor half of it.

Senator SMOOT. I do not think they do.

Mr. HEARNE. I have not the figures, but I know how large their business is.

Senator CLARK. How much do the other concerns export?

Mr. HEARNE. I think the export business of the other sewing machine companies is one-half of that.

Senator CLARK. Where do they go to?

Mr. HEARNE. Largely to South America, and a few of them to Canada, and some to China.

Senator CLARK. Is not the Singer Manufacturing Co. in competition in all those countries?

Mr. HEARNE. Yes.

Senator CLARK. Can not the Singer Manufacturing Co. sell cheaper in those markets than the others?

Mr. HEARNE. They can, but they do not.

Senator CLARK. Their business is to sell sewing machines, is it not?

Mr. HEARNE. Yes; and they sell them.

Senator CLARK. They will meet competition in any market.

Mr. HEARNE. No, sir; they do not meet competition on price. They compete by method and organization and by the goods that they sell.

Senator CLARK. Do you not suppose that with the same method and the same organization they could sell a machine manufactured in Europe, as they manufacture machines, cheaper in South America than they could a machine manufactured in the United States?

Mr. HEARNE. No, sir. The proof of it is that we are competing successfully in South America with the Germans. We are doing it all the time—America is.

Senator SMOOT. That does not prove whether or not the same machine, under the same circumstances, could be manufactured in Europe cheaper than in this country. Suppose the Singer Manufacturing Co. should decide to go into Germany or into England or into Russia and establish themselves there and manufacture their sewing machines there entirely. Do you not believe that with the same management that the Singer Sewing Machine Co. has in this country, transferred to those countries, they could make the sewing

machine in that country cheaper than they can here, on account of the great difference in the wage?

Mr. HEARNE. That is not the entire thing, sir. The Singer Manufacturing Co. has got the same management in Glasgow. I know within two weeks one of their chief engineers was sent there, a personal friend of mine. They have the same methods there and the same methods in Hamburg. Their methods are the same over there as they are here, but it is not entirely a question of cost of manufacture over there, because it is a matter of location, and the Singer Manufacturing Co. have so many special machines that they make for so many special operations that the distance and time over here are in favor of them being on the ground; and in addition to that we have the German and English patent laws.

Senator SMOOT. Does the Singer Sewing Machine Co. pay its workmen in Scotland the same as other manufacturing concerns in this country pay their workmen?

Mr. HEARNE. I do not think they do.

Senator SMOOT. No.

Mr. HEARNE. But on the other hand, in the manufacture of such goods as sewing machines and typewriters, the work is duplication, and the people who make the sewing machines are not machinists. A great deal of the work is done by girls. A great deal of it is done in this country by girls and boys.

Senator SMOOT. That is what Mr. Chase said.

Mr. HEARNE. Yes. A man who never saw a sewing machine can be taken and taught so that in a week he can do it.

Senator SMOOT. That is what Mr. Chase said.

Senator CLARK. I inferred from your answers to some questions that the Singer Manufacturing Co. maintained a stable price.

Mr. HEARNE. Yes, sir; they practically do.

Senator CLARK. And that the price did not depend on the cost of manufacture.

Mr. HEARNE. No, sir; there is no comparison.

Senator CLARK. That it did not depend at all upon the cost of manufacture.

Mr. HEARNE. I do not think so.

Senator CLARK. In justice to the consumer, for whom you are speaking here to-day, do you not think that the cost to him ought to depend, to a large extent, at least, upon the cost of manufacture?

Mr. HEARNE. Academically, I do; yes, sir.

Senator CLARK. Academically? Do you not think that it really should? In other words, from your actions, you believe in the maxim of charging all that you can get out of your manufactured product, irrespective of the cost?

Mr. HEARNE. I do not think, sir, that you get my point of view. It is not by any means that. I simply mentioned the Singer Co. I am not in their favor at all. I am simply speaking of the facts.

Senator CLARK. I am not speaking of the Singer Manufacturing Co. at all. I am speaking of the sewing-machine business and the relations between the manufacturer and the consumer.

Mr. HEARNE. I think it would be better for the consumer if he could buy the goods cheaper.

Senator CLARK. Ought not the manufacturer, in conducting his business, to conduct his business so as to obtain a reasonable profit

for himself, selling his goods to the consumer at that reasonable price?

Mr. HEARNE. I have not disputed that proposition at all, and I am not disposed to dispute it. I have not come here for the purpose of saying that they should do that at all. It is so.

Senator CLARK. You speak for the consumer?

Mr. HEARNE. Yes; and I say that he ought to get his stuff cheaper if he can.

Senator CLARK. Now, tell us how he can get it cheaper.

Mr. HEARNE. That is what I am getting at. I think that if the Underwood bill should pass, and you should allow sewing machines in free, there would be a much better opportunity for the consumer to get it.

Senator CLARK. Where will the machines come from?

Mr. HEARNE. From Germany, largely.

Senator CLARK. From what factories?

Mr. HEARNE. I will give you the names of a great many of them.

The CHAIRMAN. We will take a recess at this point. Mr. Hearne, you may continue your statement at 3 o'clock.

At 1 o'clock p. m. the committee took a recess until 3 o'clock p. m.

AFTER RECESS.

STATEMENT OF MR. ROBERT J. HEARNE—Continued.

The CHAIRMAN. You were addressing the committee when it took a recess, Mr. Hearne. Do you desire to make any further statement to the committee?

Mr. HEARNE. Yes, sir.

The CHAIRMAN. You may go on.

Mr. HEARNE. At the present time only a few special manufacturing sewing machines are imported, which have been developed a little more over in Europe in some branches of trade than they have been here. If admitted duty free, more of these machines would have a chance to compete with and keep down the price of machines in this market.

Senator SMOOT. How do you figure that if you had more machines coming in here, on account of the duty, it would keep down the price in this country?

Mr. HEARNE. Because it would introduce competition on those machines.

Senator SMOOT. Do you think that in the case of a machine that costs \$10 to make, and that sells for \$60 to \$70, the mere fact of having a duty of 30 per cent on that \$10—which is \$3—is going to influence the retail price of the machine?

Mr. HEARNE. Mr. Smoot, I do not think you have followed my argument. I have said that only a few special manufacturing machines are imported at the present time, and that the prices on such special machines are even higher in proportion to the cost than the prices of the so-called ordinary or family sewing machines. It may be news to the committee, but sewing machines are sold as high as \$300 for the head alone. I am speaking of manufacturing machines, used for manufacturing purposes.

Senator SMOOT. Then, you are not speaking of the ordinary machine that the people generally buy?

Mr. HEARNE. At the present moment I am not; no, sir. I have spoken of that machine heretofore.

Senator SMOOT. Then, you are not speaking for the customer other than simply the manufacturer that buys the high-priced machine?

Mr. HEARNE. I am speaking for both of them; but for the present moment I am speaking of the manufacturer, in answer to your question.

As to prices, the export figures speak most eloquently. I have already mentioned some prices in reply to Senator Smoot's question. I might add to that that hand sewing machines are sold at wholesale here as low as \$5 for the head, without the table. Such machines are sold almost entirely for export. On the other hand, I have letters here from three leading German manufacturers—I think the question was asked me a moment ago—all of whom say that they are utterly unable to compete in the American market. I will quote briefly from some of them.

One of these concerns, known as Seidel & Naumann, of Dresden, employs 3,000 workmen and manufactures 100,000 sewing machines a year. Yet they say, in their letter of September 9, 1911:

"We beg to draw your attention to the fact that on account of the very high customs duties to be paid for machines imported to the United States of America it would not be worth while" to take up the matter.

Haid & Neu, of Karlsruhe, Germany, who employ 1,200 workmen and who claim to manufacture 100,000 sewing machines a year, say:

We are afraid that in consequence of the eminent(ly) high American import duty for German goods you are unable to enter into successful competition.

The firm of L. O. Dietrich, of Altenburg, say, under date of September 9:

Up to to-day I have, in spite of my utmost efforts, not yet done any business with your country, and this only by reason of the extraordinarily high duty of entry, which is 30 per cent of the value.

Senator SMOOT. They do not import any machines into this country now, do they?

Mr. HEARNE. These concerns?

Senator SMOOT. Yes.

Mr. HEARNE. No, sir; they do not sell any.

Senator SMOOT. Would they if they were free?

Mr. HEARNE. I think they would, sir.

Senator SMOOT. If they were imported here, would that interfere with the Singer sewing machine?

Mr. HEARNE. To a certain extent, yes; undoubtedly.

Senator SMOOT. Why can not those machines be imported now? It would not cost more than \$10 to make them over there; and 30 per cent of \$10 is \$3, and that would be only \$13 laid down here. Why do they not import those machines into this country and sell them the same as other merchandise is sold—on the basis of a 20 or 25 per cent profit? If they did that, the customer would get some relief instead of paying the enormous price at which the Singer sewing machine is sold to-day.

Mr. HEARNE. I do not think sewing machines can be bought in Germany as low as you say, sir. I have not got figures as low as that.

Senator McCUMBER. What is the retail price here?

Mr. HEARNE. Of sewing machines?

Senator McCUMBER. Yes. Take the Singer, for example.

Mr. HEARNE. For the ordinary sewing machine I think they get somewhere in the neighborhood of \$45 cash, depending upon the style of woodwork. That would be somewhere about the average price.

Senator SMOOT. That is an ordinary machine?

Mr. HEARNE. What we call an ordinary sewing machine; yes, sir.

Senator SMOOT. What would that machine cost to make?

Mr. HEARNE. My impression is, from my experience with the business, that it costs somewhere about \$9.50 for the Singer Co. to make that machine; but the cost of selling, of course, is high.

Senator McCUMBER. That is what it costs them to manufacture it here?

Mr. HEARNE. That is what I believe; yes, sir.

Senator McCUMBER. What does it cost to manufacture the same or an equivalent machine in Europe?

Mr. HEARNE. The prices would run from 25 to 30 per cent higher.

Senator McCUMBER. Higher in Europe than here?

Mr. HEARNE. Yes, sir. I judge so, from the figures I have gotten from the manufacturers.

Senator McCUMBER. How do you explain that?

Mr. HEARNE. It is an American industry, sir. There have been, I might say, absolutely no inventions except American inventions in sewing machines, although the original inventor was a Frenchman.

Senator McCUMBER. Have they as good a sewing machine as is manufactured in our country for family use?

Mr. HEARNE. They are just about 15 years behind in the race in Germany, on account of patents.

Senator McCUMBER. Then the real reason they do not sell here is because they are not manufacturing what you would call an up-to-date machine?

Mr. HEARNE. No, sir. That only holds true about—

Senator McCUMBER. You say they are 15 years behind?

Mr. HEARNE. I say that only holds true about family machines, because the margin of profit—

Senator McCUMBER. I am speaking now of family machines.

Mr. HEARNE. The margin of profit there is different from what it is on manufacturing machines; and the tariff and the freight and the duty and the expenses keep them out. Everything is against them.

Senator CLARK. Does it cost the Singer Co. more to manufacture its machines in Europe than it does to manufacture a like machine here?

Mr. HEARNE. It is impossible for me to say, sir.

Senator McCUMBER. They have factories over there, have they not?

Mr. HEARNE. I explained that, sir. That is on account of patents and on account of convenience.

Senator CLARK. What patents are there?

Mr. HEARNE. On sewing machines?

Senator CLARK. Yes.

Mr. HEARNE. There are thousands of them.

Senator CLARK. Does that apply to the basic patents on sewing machines, or does it apply to the little frills?

Mr. HEARNE. No, sir; they are not frills. The sewing-machine art has progressed away beyond the stage of the ordinary sewing machine.

Senator CLARK. What I am trying to get at is this: I suppose, of course, the Singer Co. pay the same as anybody else here for patents that are held outside of this country. It would not have to pay any more for those patents if they were applied to manufacture in Europe, would it?

Mr. HEARNE. No, sir. The point I am making is that in order to protect themselves in Great Britain and in Germany, under the laws there, they have to manufacture in those countries.

Senator SMOOT. They do not have to manufacture in Germany.

Mr. HEARNE. They do, sir.

Senator SMOOT. Is there a workable clause in the German patents?

Mr. HEARNE. There is, sir.

Senator SMOOT. When did it pass?

Mr. HEARNE. I do not know how long ago it passed, but of my own knowledge I know that five years ago an American manufacturer had his patent canceled because he did not manufacture in Germany. I know that.

Senator SMOOT. I think you are absolutely mistaken.

Mr. HEARNE. I furnished the evidence.

Senator SMOOT. There was a convention on the subject held here a number of years ago, and I was chairman of the patent committee at the time. I know that the question was discussed and that there was also a convention held for the purpose of agreeing upon that very subject.

Mr. HEARNE. I do not like to contradict you, Senator, but I know I furnished the evidence, and I know the patent was canceled. I can give you the name and the data to identify the case.

Senator SMOOT. I do not say there was not a patent canceled, but not on account of the workable clause.

Mr. HEARNE. It was for that reason. The Singer Co. has tried again and again to introduce machines into Germany that have been only fictitiously manufactured there, and it has been held by the German Government that they must actually manufacture the things that are patented.

Senator CLARK. This is what I am trying to get at: What elements enter into the cost of manufacture in Germany or England that would make the cost of the completed machine greater there than in this country?

Mr. HEARNE. I think the industry is more fully developed here.

Senator CLARK. But the Singer people use the same methods over there that they do here?

Mr. HEARNE. Yes, sir; I presume they do. The methods are the same, sir; but possibly the factory organization is not the same there as it is here. The industry was started in this country and made what it is because of the interchangeable manufacture of parts of sewing

machines. Making parts interchangeable is entirely an American method of manufacture—I will not say “discovery.” They have not so thoroughly taken hold of that in Germany as they have here. They do much hand work in Germany.

Senator CLARK. Your belief, then, is that it cost more to manufacture sewing machines of the same class in Germany and in England than it does in the United States?

Mr. HEARNE. I do believe it, sir.

Senator SMOOT. Have you ever been in a plant in Germany?

Mr. HEARNE. I have, sir.

Senator SMOOT. Do you know anything about the manufacturing plants in Germany?

Mr. HEARNE. I do, sir.

Senator McCUMBER. In what respect are the plants in Germany less effective in turning out a good article on a given expenditure than those in the United States?

Mr. HEARNE. It is largely a state of mind, sir.

Senator McCUMBER. A state of mind?

Mr. HEARNE. Yes, sir. We have a lot of workmen here that have been taught and educated to shop methods that have been in operation for 30 or 40 years, and they have not got them yet over there. They are approaching us, of course.

Senator SMOOT. You told me this morning that almost all of the workmen were not skilled, and it took only about a week to get one so that he could work on any part of the machine.

Mr. HEARNE. You overlook the difference, sir, between an operator and a workman or machinist.

Senator SMOOT. I also asked this morning if the same methods that are used in this country are used in Scotland and in Germany by the Singer Co., and you said yes.

Mr. HEARNE. Yes, sir; the same methods are used, but the conditions are not identical. I think anybody who has ever had any experience in the various countries knows that the conditions in the different countries are not the same. The plant may be the same and the machinery the same and the buildings the same, but the conditions in each country are not the same.

Senator McCUMBER. Do you know anything about the comparative cost of labor in manufactories in Europe and in this country?

Mr. HEARNE. Yes, sir. I think the cost of labor in Germany on sewing machines is probably 40 per cent less than it is here.

Senator McCUMBER. Forty per cent less?

Mr. HEARNE. Yes, sir; 40 per cent less than it is here.

Senator McCUMBER. And notwithstanding an advantage of 40 per cent in labor itself, you think it costs more in Germany to produce one of those machines than it does here?

Mr. HEARNE. I do, sir.

Senator McCUMBER. What is the difference in the cost of the material?

Mr. HEARNE. I do not think there is much difference. I think the cost of the raw materials is much the same in both countries, because the raw material in the sewing machine is not a very large item.

Senator McCUMBER. Have you any record of what constitutes the cost of manufacturing a machine in Germany and in the United States, so that you can give a comparison?

Mr. HEARNE. No, sir; I have not.

Senator McCUMBER. Where did you get your information?

Mr. HEARNE. From my general knowledge. I have been in the business some 30 years.

Senator McCUMBER. In the business of manufacturing?

Mr. HEARNE. I have been manufacturing for half that time. I have been selling and importing sewing machines for many years. I have been in Germany quite a few times.

Senator McCUMBER. You have been manufacturing in the United States?

Mr. HEARNE. Yes, sir; in a small way.

Senator McCUMBER. To get an idea, or at least a correct idea, you ought to have the data of what it costs to produce each article in Germany, ought you not?

Mr. HEARNE. I do not think it is practicable to get such information.

Senator McCUMBER. Do you not think the Singer Sewing Machine Co. could furnish anyone with the cost of producing in Germany, and also the cost of producing the same thing in the United States?

Mr. HEARNE. I could not say, sir.

Senator McCUMBER. You have made no attempt to get that information?

Mr. HEARNE. I should not think of asking the Singer Co. such a question as that.

Senator CLARK. Your statement rather upsets my idea of the whole sewing-machine business, and I think it is exceedingly important if it is founded on facts. You make the direct statement, without equivocation, that it costs more to manufacture a sewing machine in Germany or England than it costs in the United States.

Mr. HEARNE. That is my belief, sir.

Senator CLARK. If that is true, it upsets all my notions. It upsets all the views of others that I have heard. I should like, if you can, to have you furnish the committee some facts that furnish a basis for your conclusions.

Mr. HEARNE. I can do so, sir. I think the letters I have produced here are fairly good evidence in a general way. I think the exports speak very eloquently. When the imports of sewing machines have been only \$52,000, with an export of \$9,000,000, I do not think it can be said—

Senator CLARK. That is a result. That is not a fact upon which the conclusion is based. If you have any facts that will show the cost of building a machine in America and the cost of building a like machine in Germany, I should like to have them known.

Mr. HEARNE. I do not think it is possible to get such figures.

Senator CLARK. I am a protectionist, but I do not want to protect an industry in this country where we already have the advantage in the cost of construction.

Mr. HEARNE. That is why I have come here, sir—because I have been in this business 30 years, and I know what the sewing-machine business is; and it seems to me it is the one business of all others, except possibly the typewriter business, that does not need protection.

Senator CLARK. The reason I asked you the question was that you had qualified as an expert. If you are an expert, you know the cost

of building machines, and you know the items that enter into that cost.

Mr. HEARNE. You do not imagine it is possible for me to get the books of this concern and to get their facts and figures, do you?

Senator CLARK. But when you testify to a fact I think you ought to give the committee the benefit of the information or of the fact upon which you base your conclusion.

Mr. HEARNE. I do, sir. I base it upon general quotations and inquiries which I have made for years.

Senator CLARK. General quotations as to what?

Mr. HEARNE. As to the price at which they can sell sewing machines.

Senator CLARK. That is another question. My question is as to what it costs them to build them.

Mr. HEARNE. It is a reasonable thing to assume that a concern is making some profit on its goods. It is reasonable to assume, when they are fighting in the world's market, that they are willing to sell them, as the Germans do, purely as a piece of merchandise.

Senator CLARK. I do not care to assume a fact.

Mr. HEARNE. One has to assume something in a case of this kind.

Senator WILLIAMS. Facts have to be assumed in arriving at conclusions, do they not, sometimes?

Mr. HEARNE. I think so.

Senator CLARK. Not at all. When you speak of the cost of construction no facts need to be assumed.

Mr. HEARNE. If you will allow me, sir, I do not want to take up too much of the committee's time—

Senator CLARK. I am anxious to get information on that point, because if you are right I am in favor of abolishing the duty on sewing machines.

Mr. HEARNE. A great deal of my information is general, in this way: I have examined German sewing machines. I have imported them, off and on, for many years. I have examined their methods of manufacture. I have been a manufacturer myself, and still am in a small way, and I see their methods. I can see by examining the machine the hand work, the parts that have been filed, and the fact that they do not go so far with interchangeable construction as we do in this country. That is where the great difference lies. I think the Singer Co. probably go further than any German concern.

Senator WILLIAMS. Let me ask you this question: As a rule, when men are buying sewing machines, as between two machines of equal value, they buy the cheaper one, do they not?

Mr. HEARNE. If they think they are of equal value; yes, sir.

Senator WILLIAMS. I say, as between two machines that do the same work, they buy the one that costs the least money, do they not?

Mr. HEARNE. They would be apt to do that; yes, sir. That would be the natural thing.

Senator WILLIAMS. They are apt to do that. As a matter of fact and of history, the American manufacturers of sewing machines have been selling a vast volume of sewing machines to Europe, have they not?

Mr. HEARNE. Yes, sir; an enormous volume.

Senator WILLIAMS. And Europeans have been selling very few of them to us?

Mr. HEARNE. Practically none.

Senator WILLIAMS. Is it not a fact, also, that as a rule the price of a machine in the market is dependent more or less upon the cost of making the machine?

Mr. HEARNE. Necessarily it is the first item.

Senator WILLIAMS. Then the assumption of fact that you made a moment ago, with which the Senator quarrels, is that the price bears some proportionate relationship to the cost of manufacturing the article, is it not?

Mr. HEARNE. I believe honestly that it does.

Senator WILLIAMS. If it does not, then it violates all the rules of production, does it not?

Mr. HEARNE. It certainly does so far as Germany is concerned, because the German sewing machines are manufactured by merchants, and they sell their goods as merchandise.

Senator WILLIAMS. If the price of shoe pegs in the market bore no sort of relationship to the cost of making shoe pegs, and the people who are making shoe pegs continued in the business for an indefinite time, would you not say that that was a violation of all the experience of human nature and of commerce?

Mr. HEARNE. Unless they had very strong patents, or a monopoly of some kind, I should think it would be.

Senator WILLIAMS. So when the Senator from Wyoming tells you that the price and the cost of production constitute different questions, I take it that you are ready to admit, academically, that they do, but that in the long run, when men continue to sell things, the price must bear some relationship to the cost of production?

Senator CLARK. Mr. Hearne stated this morning that the cost of production in the sewing machine business did not bear any definite relation to the cost of the sale.

Mr. HEARNE. I beg pardon, sir; I said with the Singer Co. But the Singer Co. is not the whole business.

Senator CLARK. You said the Singer Co.

Senator WILLIAMS. Let us come to that, then.

Senator CLARK. Wait just a minute; I want to get the witness's basis for his statement. What value of sewing machines are exported to Europe?

Mr. HEARNE. I can not give the figures as to Europe.

Senator CLARK. Can you give any estimate of the figures?

Mr. HEARNE. No, sir; I can not. I have only taken the total exports.

Senator CLARK. Then the foundation falls from under the argument—which, I think, was not intended so, perhaps—of the Senator from Mississippi.

Senator WILLIAMS. No; the foundation falls from under the statement in opposition to your argument. That is what you mean to say.

Senator McCUMBER. Does the Singer Sewing Machine Co. export machines from this country to Germany in competition with those that are manufactured in Germany?

Mr. HEARNE. The Singer Co. does not compete on price in any country.

Senator McCUMBER. What I want to know is whether the Singer company exports its machines from this country to another country which has factories of the same manufacturer.

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Before he answers that question, Senator, I should like to ask him this one, because it comes in there: As a rule, the Singer Sewing Machine Co. sells directly to the retailer, does it not?

Mr. HEARNE. Not as a rule, absolutely.

Senator WILLIAMS. Absolutely?

Mr. HEARNE. They sell directly to the user.

Senator WILLIAMS. So that they do not enter into the general market?

Mr. HEARNE. They are not in the open market.

Senator McCUMBER. The point I want to get at is this: I want to know whether or not the Singer Sewing Machine Co.—which has factories, as I understand, in Germany, in England, and in Scotland—is exporting any of its machines manufactured in this country to any one of those three countries?

Mr. HEARNE. To be strictly accurate, they are exporting some. I know that.

Senator CLARK. But not very many?

Mr. HEARNE. As to what the figures are I can not say. The fact is that the industries vary in the various countries. The Singer company, for instance, will have a much larger demand for sewing machines suitable for hosiery work in Saxony than they would in Liverpool; and in many cases, by preference, they will make their machines in Europe for the European trade and make them here for the American trade. In some cases they will bring machines from Europe that are mostly in demand there to fill a slight demand here.

Senator McCUMBER. And sometimes they will send them from here to fill a slight demand there?

Mr. HEARNE. Yes, sir. I have no means of telling how much the Singer company's business is, nor am I basing any figures entirely upon them. I am not making an attack upon them, nor am I for them, one way or the other. I know that the so-called ordinary sewing machine is exported and sold in Germany. I know it is.

Senator CLARK. To what extent?

Mr. HEARNE. To quite an extent, sir. I can not give you the figures, but I know it is quite large.

Senator CLARK. It must be the Singer machine, then; because the representatives of these other companies said that their exports to Europe were a very negligible quantity.

Mr. HEARNE. Necessarily, sir, they would be handicapped in selling machines to Europe as against the Germans. In selling machines to Mexico, to Canada, and to other places like that, they would be under more favorable conditions than when they sold them right to Germany. I suppose the Germans have a little patriotism. I do not know how much they have, but I suppose they have some.

Senator WILLIAMS. Have not the Germans a tariff on sewing machines?

Mr. HEARNE. It is quite light. It is by weight.

Senator CLARK. But that comes back to the idea that the great bulk of the \$9,000,000 worth of sewing machines that you speak of is not exported to Germany at all, but is exported to the neutral markets of the world.

Mr. HEARNE. I did not say it was to Germany, sir.

Senator WILLIAMS. I should like to ask you this question: Are you prepared to say that, with the duty removed, American seamstresses and women would get as good a machine as at present to do their work at a less price than they pay now?

Mr. HEARNE. Oh, I think the machines made in Germany are good. I have handled them a good many years. They are good machines, perfectly good for the purpose.

Senator WILLIAMS. Then if the German machine could come to this country less the present tariff duty, would not the seamstress and the woman in the sweatshop get a machine for that much less money?

Mr. HEARNE. To be entirely frank with you, sir, the woman in the sweatshop does not buy the machine. It is bought by the employer. She uses it.

Senator WILLIAMS. The man who manages the sweatshop and hires the woman to do the work in the sweatshop hires her upon the basis of possible profit, does he not?

Mr. HEARNE. Undoubtedly, sir.

Senator WILLIAMS. And among his expenses is the price of the machine, is it not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Then are you of the opinion that an equally good machine could go to the person who uses the machine or the person who buys the machine at a less cost if the tariff were removed?

Mr. HEARNE. Undoubtedly, sir.

Senator CLARK. How do you reconcile that with your statement that the machine costs more in Germany than it does here, so that you would be bringing in a more expensive machine than the American machine?

Mr. HEARNE. The question of cost and the question of selling price are not the same thing, sir. I think the German makes less profit than the American under any conditions. Therefore, while his goods may cost him more, he does not make so much profit and he sells lower.

Senator SMOOT. Especially in selling?

Mr. HEARNE. I think so. I think the Germans sell on a smaller profit.

Senator WILLIAMS. You are importing machines, are you not?

Mr. HEARNE. Yes, sir. I manufacture also.

Senator WILLIAMS. Of course we want to be perfectly frank with one another; we want to be honest. Your object in appearing before the committee is to build up a larger business in the importation of machines; and the reason why you think you can build up a larger business in the importation of machines is because you can get cheaper machines to handle?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. And that will increase the value of your business, and, in the long run, your profits?

Mr. HEARNE. I propose to go into that business if I can get sewing machines at a price at which I can sell them.

Senator WILLIAMS. So you are prepared to say that if the duty is removed you can furnish the American people with cheaper sewing machines?

Mr. HEARNE. I must sell them cheaper or I can not sell them, or I must do something to get the trade.

Senator WILLIAMS. As a rule, the people who ultimately pay for sewing machines, either in the expenses of the business or otherwise, are the people who use sewing machines, are they not?

Mr. HEARNE. Undoubtedly, sir.

Senator SMOOT. And they have been robbed as to the prices they have been compelled to pay, irrespective of what the rate has been on sewing machines.

Senator WILLIAMS. I doubt not that; but the margin of potential robbery would be smaller if the machine were cheaper.

Senator HEYBURN. I want to ask you what makes up the difference between the cost of a machine at \$9 and the selling price at \$55?

Mr. HEARNE. Partly profit, sir.

Senator HEYBURN. What is the capitalization of the Singer Sewing Machine Co.?

Mr. HEARNE. I should like to give you some figures, sir.

Senator HEYBURN. Just answer that question.

Mr. HEARNE. I understand that the only capital stock ever paid into the Singer Manufacturing Co. was some \$600,000.

Senator HEYBURN. Was there any other capital stock than that?

Mr. HEARNE. I understand, and I think it is common knowledge, that some few years since they made a stock dividend of \$20,000,000. I saw the statement in the paper two or three days ago that they were going to pay a 12 per cent dividend this year. They are paying 3 per cent quarterly.

Senator HEYBURN. Is that on the \$20,000,000?

Mr. HEARNE. Yes, sir. I understand their present capitalization is somewhere around \$75,000,000, and it is claimed that nothing was ever put in but the original \$600,000. I have seen figures stating that they have paid about \$440,000,000 in dividends.

Senator HEYBURN. They have paid \$440,000,000 in dividends, you say?

Mr. HEARNE. Yes, sir.

Senator HEYBURN. On a capitalization at one time of \$500,000?

Mr. HEARNE. Of \$600,000.

Senator HEYBURN. And later on a capitalization of about \$75,000,000?

Mr. HEARNE. Yes, sir.

Senator HEYBURN. What percentage of profits did the dividends represent?

Mr. HEARNE. It is a kind of a fairy tale; it is enormous.

Senator HEYBURN. It sounds like a fairy tale. What is it?

Mr. HEARNE. Those are the facts. You have to go back for 30 years to pay that, of course.

Senator HEYBURN. Take the last 10 years. Their capital stock has been \$75,000,000 for more than 10 years, has it not?

Mr. HEARNE. No; not quite so much as that.

Senator HEYBURN. For how many years has it been that?

Mr. HEARNE. They made a stock dividend of some \$20,000,000, I think, within the last 10 years.

Senator HEYBURN. And making a stock dividend simply meant that they issued that much more stock?

Mr. HEARNE. They are paying dividends of 12 per cent this year on it, sir. If you take it on the basis of the original investment of \$600,000, it is extremely high.

Senator HEYBURN. Let me see. What was the cash paid for the stock?

Mr. HEARNE. I don't think there is much Singer stock to be had in the market, but I guess it would bring \$300.

Senator HEYBURN. I do not mean per share. I mean how much of that stock has been paid in or represents cash?

Mr. HEARNE. I believe all of it does to-day, sir.

Senator HEYBURN. If you have a stock dividend, that does not represent cash, does it?

Mr. HEARNE. It was taken from the surplus.

Senator HEYBURN. It represents profits?

Mr. HEARNE. Profits; yes—surplus accumulated from the profits.

Senator HEYBURN. But you have not told me what represents the difference between \$9, the cost of the machine, and \$55, the price you get for it?

Mr. HEARNE. I think, sir, you have some of the figures too high.

Senator HEYBURN. But you gave those figures.

Mr. HEARNE. I beg your pardon, sir; I did not.

Senator HEYBURN. Did you not say the machine sold for \$55?

Mr. HEARNE. No, sir; I did not.

Senator HEYBURN. What did you say?

Mr. HEARNE. I said a family sewing machine sold for \$45.

Senator HEYBURN. Very well. Let us confine ourselves for the minute to the family sewing machine selling at \$45, then. How much does that cost?

Mr. HEARNE. If you will allow me, sir, I think the matter will be cleared up better if we do not always harp so much on the family sewing machine. That is not the entire business of the Singer Co. In fact, the other business is very large.

Senator HEYBURN. No; the whole argument here is based upon the effect it will have upon the cost of a machine to the family.

Mr. HEARNE. I did not use the word "family," sir.

Senator HEYBURN. I am using it.

Mr. HEARNE. I beg your pardon.

Senator HEYBURN. Therefore, I want to know what is represented—

Senator WILLIAMS. Do you mean a distinctive sewing machine called by the name of the Family sewing machine?

Senator HEYBURN. Oh, no; I mean the one used in families generally.

Senator WILLIAMS. There are about four different sorts.

Senator CLARK. They are all family machines.

Senator HEYBURN. We will get the facts in a minute, I think. What is the cost of the ordinary family machine?

Mr. HEARNE. I gave the figures; I said I thought somewhere about \$9.50 to a very large concern like the Singer Co. I am talking about the factory cost, of course.

Senator HEYBURN. Regardless of the size of the company, what does that machine sell for to the user?

Mr. HEARNE. My idea was that it was sold at retail to the family for somewhere around \$45.

Senator HEYBURN. How is that difference made up? Is it in labor, or material, or patents?

Mr. HEARNE. I think you misunderstood me, sir. I say the factory cost is \$9.50; the selling price is \$45.

Senator HEYBURN. What makes up the difference?

Mr. HEARNE. Gross profits.

Senator HEYBURN. What is to be deducted from the gross profits?

Mr. HEARNE. The cost of running the business organization.

Senator HEYBURN. What is that?

Mr. HEARNE. Selling force, advertising—

Senator HEYBURN. Does the selling force cost the difference between the cost of manufacture and the selling price? Does it cost that much to sell the machine?

Mr. HEARNE. No, sir; it does not.

Senator HEYBURN. How much of that is profit?

Mr. HEARNE. It is impossible for me to say, sir.

Senator HEYBURN. You are in the business?

Mr. HEARNE. Surely, sir; but I do not sell them for \$45. I wish I did.

Senator HEYBURN. What commission do you pay for selling machines?

Mr. HEARNE. I am not talking about what I do; I am talking about what other people do. I am not talking of my own business.

Senator HEYBURN. I am inquiring of you now in regard to the Singer Sewing Machine Co.

Mr. HEARNE. I do not know what they pay, sir.

Senator HEYBURN. There is an unexplained and unaccounted-for profit between the cost you have given and the selling price.

Mr. HEARNE. It is not unaccounted for at all. The dividends the Singer Co. has paid show what it constitutes.

Senator HEYBURN. Then they have made those profits?

Mr. HEARNE. They certainly have, sir.

Senator HEYBURN. And they are represented by the dividends?

Mr. HEARNE. They certainly are, sir; not all of them, however.

Senator HEYBURN. What percentage of profit would that be?

Mr. HEARNE. The gross profit would be about 400 per cent.

The CHAIRMAN. That is the gross profit?

Mr. HEARNE. Yes, sir.

Senator HEYBURN. What is to be deducted from the gross profit?

Mr. HEARNE. How can I say, sir?

Senator HEYBURN. If you can not the committee probably never will know.

Mr. HEARNE. I do not know what the Singer Co. pay, sir. I am not the Singer Co. and I do not represent them.

Senator HEYBURN. Whom do you represent?

Mr. HEARNE. The Durbrow & Hearne Manufacturing Co.

Senator HEYBURN. What do they do?

Mr. HEARNE. They import and sell sewing machines.

Senator HEYBURN. Do they import Singer machines?

Mr. HEARNE. No, sir; I can not import Singer machines.

Senator HEYBURN. Tell us where you have factories abroad.

Mr. HEARNE. I have none, sir.

Senator HEYBURN. I am speaking now of the Singer Co.

Mr. HEARNE. They have one in Kilbirnie, Scotland, and one in Hamburg.

Senator HEYBURN. Is that all?

Mr. HEARNE. I think they have one in Russia, but I am not sure of that.

Senator HEYBURN. It has been stated that they have.

Mr. HEARNE. I think they have; yes, sir. I think it is in Moscow.

Senator HEYBURN. Have they any in France?

Mr. HEARNE. They have some kind of a factory there; I know they have.

Senator HEYBURN. And one in Canada?

Mr. HEARNE. Yes, sir; I think they have one up in Canada also.

Senator HEYBURN. Do the Singer manufactories abroad produce, in the aggregate, as many machines as the Singer manufactories in this country?

Mr. HEARNE. I do not think they do, but I do not really know. Of my own knowledge, I do not think they do.

Senator HEYBURN. You do not know, then, whether they are more interested in the exports or the imports?

Mr. HEARNE. I think their exports are only incidental. I think their intention is to handle each country's business in its own way as far as possible, to be on the ground and handle the business. It is an expensive business to handle; there is no question about that. I do not dodge the issue. It is expensive to retail and sell the goods.

Senator HEYBURN. Are you in favor of a protective tariff on sewing machines?

Mr. HEARNE. No, sir.

Senator HEYBURN. Why not?

Mr. HEARNE. Because I do not think we need it.

Senator HEYBURN. You are speaking now of the Singer Co.?

Mr. HEARNE. No, sir; I do not represent the Singer Co. at all in any way.

Senator HEYBURN. Are you in any way connected with the Singer Co., directly or indirectly?

Mr. HEARNE. No, sir; not at all. They are competitors of ours.

Senator HEYBURN. They are competitors of yours?

Mr. HEARNE. Yes, sir.

Senator HEYBURN. You are here, then, in the interest of your competitor, are you?

Mr. HEARNE. No, sir. I am not asking for a duty. I am here in the interest of the Durbrow & Hearne Manufacturing Co. and other importers of sewing machines, and I so stated.

Senator HEYBURN. And you want free trade in sewing machines?

Mr. HEARNE. I said that if you are to have a free list, I do not know anything that is entitled to go on it more than sewing machines.

Senator HEYBURN. Do you want free trade in sewing machines?

Mr. HEARNE. If we are to have a free list, yes.

Senator HEYBURN. Why do you want it? You say you are an importer.

Mr. HEARNE. I am an importer; yes, sir.

Senator HEYBURN. Is your import business greater than your export business?

Mr. HEARNE. I can hardly do any import business on account of the tariff. I am hampered all the time.

Senator HEYBURN. Do you know the amount of wages paid by the Singer Manufacturing Co. in its factories abroad?

Mr. HEARNE. No, sir; I do not.

Senator HEYBURN. Do you know the amount paid in this country?

Mr. HEARNE. No, sir.

Senator HEYBURN. You do not know anything about the wage item involved in this question at all?

Mr. HEARNE. I know it is extremely large—very large.

Senator HEYBURN. Millions?

Mr. HEARNE. Yes, sir. I should say that in the manufacture of the sewing-machine head, which is used in the factory, it is probably 90 per cent of the cost.

Senator HEYBURN. Ninety per cent of what figure?

Mr. HEARNE. Of the cost to-day of the machine. I think in the case of the family machine, where the woodwork is more of an item, it is probably 80 per cent.

Senator HEYBURN. Can you give the basis upon which you estimate that 80 per cent?

Mr. HEARNE. I have manufactured sewing machines myself, and I know the raw material—

Senator HEYBURN. I mean, can you give the basis upon which to estimate what that percentage would amount to?

Mr. HEARNE. I think the raw material in a factory-machine head, which they sell us for about \$22.50—

Senator HEYBURN. But you can not give the aggregate figures representing the sewing-machine business, 80 per cent of which is wages?

Mr. HEARNE. I do not quite understand you, sir. Do you mean the number of machines that are made in this country?

Senator HEYBURN. No; I mean their aggregate value.

Mr. HEARNE. The figures given by the census, I think in 1904, of the production in this country were some \$20,000,000, which I think is low. It must be much greater now.

Senator HEYBURN. And 90 per cent of that is wages?

Mr. HEARNE. I think so; yes, sir.

Senator HEYBURN. Is the same true abroad?

Mr. HEARNE. I think so; yes, sir.

Senator HEYBURN. In your factories, or the Singer factories?

Mr. HEARNE. I have no factory over there, sir. I am not interested in the Singer Co. in any way.

Senator HEYBURN. You came here simply on account of the little company with which you are connected?

Mr. HEARNE. No, sir. I have not been able to get through my statement, and if you will allow me to finish it I think you will see my point, sir.

Senator WILLIAMS. He said he came here as an importer, but he is not necessarily a public enemy on that account.

Mr. HEARNE. I know I am a rare bird to come here—

Senator HEYBURN. He said a good many things.

Senator SMOOT. Mr. Hearne, since you stated that I was wrong in my statement about the working clause of a patent being enforced in Germany, I will state that I have telephoned to the State Department to find out whether I was right or whether you were right. I want to advise you that if the State Department is authority, I was right; that in Germany no American manufacturer, under the treaty we made with Germany, is compelled to manufacture the article patented.

Mr. HEARNE. Since when?

Senator SMOOT. I can go and get you the date of it, if you wish.

Mr. HEARNE. But it is recent, is it not?

Senator SMOOT. Oh, no. It has been since about the date you were talking about—five years ago, as I remember.

Senator WILLIAMS. I suggest that the Senator put in the record the statement from the State Department.

Mr. HEARNE. I know that the law in England is such, and I know it was such in Germany, and the factories were started there at that time for that reason. Even if the condition is changed now, the factory is still there.

Senator McCUMBER. Let me ask you a question on another point. What are the other leading manufacturers of sewing machines in this country?

Mr. HEARNE. There is the White Sewing Machine Co., of Cleveland; the Standard Sewing Machine Co., of Cleveland; the Foley & Williams Manufacturing Co., of Kankakee, Ill.; the National Sewing Machine Co., of Belvidere, Ill., which manufactures the Eldridge machine; the Wilcox & Gibbs Sewing Machine Co.—

Senator McCUMBER. That is enough, probably.

Mr. HEARNE. There are quite a few more.

Senator McCUMBER. The next question is: Do you know what it costs to manufacture the machines made by these other companies?

Mr. HEARNE. I can only reply in general, sir, that I believe that the art of manufacturing sewing machines is pretty thoroughly understood in this country. There is no special patented machinery for it that one concern controls more than another; and I believe conditions are somewhat similar in all the factories.

Senator McCUMBER. In other words, a machine that will sell for \$45, manufactured by the other companies, can be manufactured for about \$9 or \$10?

Mr. HEARNE. Yes, sir. The proof of it is that I can buy such a machine for \$12.

Senator McCUMBER. I will take your word for it. Then is there a combination that you know of between all of these companies?

Mr. HEARNE. No, sir; there is not.

Senator McCUMBER. Is there no competition?

Mr. HEARNE. No, sir; that is not the question.

Senator McCUMBER. Is there competition?

Mr. HEARNE. I have been asked a question, sir, and I have answered it. I was asked what the Singer Co. gets for a machine. I was not asked what other people get.

Senator McCUMBER. I am not asking you what the Singer Co. gets.

Mr. HEARNE. No, sir; but the figure you refer to—\$45—is what I said the Singer Co. sold their machines for. I did not say the other people sold them for that. They sell them cheaper.

Senator McCUMBER. All right. Then let me ask you what the others sell for?

Mr. HEARNE. They are sold as low as \$30.

Senator McCUMBER. Do those that are sold as low as \$30 cost about \$9 or \$10 to manufacture?

Mr. HEARNE. I believe so; yes, sir.

Senator McCUMBER. Why is it, then, that there are not more of those sold?

Mr. HEARNE. There are great quantities of them sold, sir. The Singer Co.'s business is so enormous because they make so many special sewing machines. I have not been allowed to get into that subject. I have tried quite a few times to do it.

Senator McCUMBER. What I am trying to get at is why, if there is open competition in this country, sewing machines that will cost on an average, say, \$9 or \$10, sell for from \$30 to \$45?

Mr. HEARNE. The expense of selling them has something to do with it; and it is undoubtedly expensive to sell sewing machines.

Senator McCUMBER. It is clear to me that if there were any brisk competition whatever, it would force the selling price down closer to the manufacturer's price.

Mr. HEARNE. I say the expense of selling must always be remembered, sir. It is high.

Senator McCUMBER. Do you think there is a legitimate expense of selling that will raise the cost of the article from \$9 to \$30, taking the case of the lower-priced machine?

Mr. HEARNE. I did not come here, sir, prepared to discuss that feature of the question. I think it is legitimate to figure the cost of selling, of course; and I think it is high. My argument, and what I came here for, is to show that the industry in this country absolutely does not need protection, and that the duty is so high that it practically kills off imports, except in the case of a few specialties.

Senator McCUMBER. But in order for us to arrive at the fact, we have to have a general idea of the machine business; and when a witness comes to give his testimony we want all the information we can get. All of the questions are asked in good faith to see whether or not there is a combination that keeps up these prices, or whether there is a legitimate expense that would raise the value of a machine from \$10 to \$30 from the time it is manufactured until it reaches the hands of the consumer.

Mr. HEARNE. There is no combination.

Senator McCUMBER. As one who knows the machine business; as one who has been in the manufacturing business here, and has sold them, I know of no one to whom I can go better than I can to you to ask that question.

Mr. HEARNE. I can say that there is no combination—absolutely none.

Senator McCUMBER. Then, if there is no combination, as you have had some experience not only in the manufacture, but in the sale of machines, do you think \$30 is an exorbitant selling price at retail for a machine that costs only, say, \$10?

Mr. HEARNE. I do not think it is as long as the buyer insists upon the amount of attention he asks for—he or she, as the case may be. They want an awful lot of attention, waiting on, looking after, and everything else. I think that helps to keep up the price.

Senator McCUMBER. Do you think \$45 is an exorbitant price?

Mr. HEARNE. I think it is a little steep, sir.

Senator McCUMBER. You think it is a little steep?

Mr. HEARNE. I think it is a little bit steep.

Senator McCUMBER. Can you not compete with that, then?

Mr. HEARNE. I really think, sir, if you will allow me to finish the short statement I have—

Senator McCUMBER. Just one other question: I want to know why the Singer Sewing Machine Co. is able to sell its machines at a price 50 per cent higher than the other machines bring.

Mr. HEARNE. Because of their enormous organization, their advertising, and everything else—their enormous prestige, and their enormous business ability.

Senator McCUMBER. Are you certain that the same grade of the Singer machine sells for a higher price than the White, for instance?

Mr. HEARNE. I know it does.

Senator McCUMBER. Do you know any reason why the public should pay a higher price for it?

Mr. HEARNE. I have tried to explain to you that there are various causes for it. One, as I say, is the Singer Co.'s enormous prestige, their great business methods, their ability, etc. The other is that their machines are more up to date than the White sewing machine.

Senator McCUMBER. I suppose, then, their machine is worth more?

Mr. HEARNE. That is largely a matter of opinion; but as far as quality goes, no. I think the White Sewing Machine Co. make a first-class sewing machine. I do not see how it could be much improved.

Senator McCUMBER. Then the public pays 50 per cent more for one of the machines because they think it is worth more; do they not?

Mr. HEARNE. That holds true about a great many things.

Senator McCUMBER. And there is a bare possibility that they would still continue to buy the Singer sewing machine, thinking it was worth perhaps 100 per cent more than the product of the German manufacturer?

Mr. HEARNE. I think they will undoubtedly do business right along, sir, no matter what is done with the tariff. But if you will allow me to go into the question of manufacturing machines, I think the whole subject will be cleared up. That is the one rock that we are splitting on.

Senator WILLIAMS. Just one word before you go into that subject, because the people across the Rubicon have played with you considerably, and I should like to learn a few things. The Singer Sewing Machine Co. has factories both in Europe and in America, has it not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Does it import into America from Europe any of its own machines made by it abroad?

Mr. HEARNE. Only a few special machines, for which there is not sufficient demand in this country to justify manufacturing them here.

Senator WILLIAMS. Does it export to Europe any of its machines made by it in America?

Mr. HEARNE. I think the conditions are largely reversed there; only when the demand in Europe is slight.

Senator WILLIAMS. Now, I want to ask you this question: If conditions in Europe are so favorable to the sewing-machine business carried on there under the same management and with the same capitalization, and with different labor, as to give to Europe an advantage in cheapness of production so great as to demand on our part a protective tariff against the foreign producer, why is it that the Singer sewing machine, making the same machine, making it with the same capitalization, and making it under the same administration, does

not manufacture its machines in Europe and export them to America?

Mr. HEARNE. I do not think it is a practical way of doing business for the Singer Co.

Senator WILLIAMS. I thought not. But it does not do it, as a matter of fact, does it?

Mr. HEARNE. No; it does not.

Senator WILLIAMS. And if it could, you think it would, do you not?

Mr. HEARNE. Undoubtedly if it could, it would.

Senator WILLIAMS. And make money by it while it was doing it. Of course, we are all serving the public altruistically; but if we can make money incidentally by it, we are willing to do it. You think the dividends the Singer Sewing Machine Co. has paid have something to do with it, do you?

Mr. HEARNE. Something to do with what, sir?

Senator WILLIAMS. Something to do with the price of the machine to the ultimate consumer.

Mr. HEARNE. Undoubtedly, sir.

Senator WILLIAMS. If they had sold at a less price, they would have declared a less dividend, would they not?

Mr. HEARNE. I do not think they would have declared so much.

Senator WILLIAMS. You were talking a moment ago about the gross profits in connection with the sewing-machine business. I do not know whether you live in the country or not, but I do. Living in the country as I do, I see now and then a fellow going by with one horse and a wagon and a sewing machine in the wagon. He is feeding the horse; he is paying interest on the horse; he is paying depreciation on the horse; he is feeding and clothing himself, and earning a salary; and meanwhile he is doing nothing but selling sewing machines. Is that a sort of habit in America—that people travel around generally with wagons and horses selling sewing machines?

Mr. HEARNE. The Singer Co. do a great deal of it. They do a great deal of house-to-house canvassing.

Senator WILLIAMS. So that part of the gross profit of the sewing machine company is accounted for by the horse, and the man, and the wagon, is it not?

Mr. HEARNE. Part of the gross expense is accounted for in that way. Part of the gross profit would be eaten up in that way; yes, sir.

Senator WILLIAMS. Of course that is what I mean. One reason why the net profit does not quite agree with the gross profit is the price of this man?

Mr. HEARNE. Undoubtedly.

Senator WILLIAMS. Of course when he gets to Cedar Grove we feed his horse free; but as a rule he has to buy his feed and pay his other expenses.

Senator HEYBURN. He could buy his horse for the price of one machine.

Senator SMOOT. And lose his machine during the evening. [Laughter.]

Senator WILLIAMS. Now, I want to ask you another question. I find in a presumably correct volume entitled "Commerce and Navi-

gation of the United States in the Year 1910," prepared by Republican administrations, who are in partnership with God and prosperity, the following figures. I want to ask you if you have any reason to doubt them; and if you have, I want you to state your reasons before the committee.

I find that we exported to Germany in the year 1910, \$1,110,479 worth of sewing machines. Have you any reason to doubt the truth of that?

Mr. HEARNE. Not the slightest, sir.

Senator WILLIAMS. I find that that was an improvement upon the year 1909, because during that year we exported only \$981,842 worth. Do you know whether there is or is not a tariff against sewing machines in the German market?

Mr. HEARNE. There is a small tariff, by weight.

Senator WILLIAMS. So that whatever we exported to Germany overrode the tariff burden in order to reach the consumer?

Mr. HEARNE. It must have overridden the tariff burden, undoubtedly.

Senator WILLIAMS. And all other burdens?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Including ocean freight rates?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Including railroad freight rates from the seaboard to the point of delivery in Germany?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. And including the railroad freight rates from the point of manufacture in America to the American seaboard?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. I find that one of the cheapest points of production, with the most highly organized labor in Europe, is the Netherlands. We have been told here that the rate of wages there is one-third of ours. I find that during the year 1910 we exported to the Netherlands \$504,013 worth of sewing machines. Have you any reason to doubt the accuracy of those figures?

Mr. HEARNE. No, sir; I think that is quite true.

Senator WILLIAMS. I find that that was an improvement on the previous year of 1909, notwithstanding tariff agitation, because during that time the exports had been only \$492,052. As far as you know, that is not incorrect?

Mr. HEARNE. I believe those figures are right, sir.

Senator WILLIAMS. I find that one of the most ingenious people in the world are the Scotch. I do not find that from these statistics; but I make that statement generally, because my grandmother was a Scotch woman. I find that in 1910 we exported to Scotland \$1,359,004 worth of sewing machines. Have you any reason to doubt the accuracy of that?

Mr. HEARNE. None, sir.

Senator WILLIAMS. One of the most highly organized industrial countries is England. I find that during that year we exported to England \$386,920 worth of sewing machines. You have no reason to doubt that?

Mr. HEARNE. None, sir.

Senator WILLIAMS. I find from the same figures that during the year 1909 we exported to Scotland only \$853,201 and to England only \$292,428 worth of sewing machines—showing that notwithstanding all American and foreign conditions, the export business increased.

Our next-door neighbor is Canada. Do you know whether or not Canada has a preferential rate upon her imports in favor of Great Britain?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. You think she has?

Mr. HEARNE. Yes, sir; she has.

Senator WILLIAMS. Then whatever she imported from us must have been imported in spite of that preferential rate?

Mr. HEARNE. As against England.

Senator WILLIAMS. Yes; as against England.

Mr. HEARNE. As against Great Britain, rather.

Senator WILLIAMS. I find that we exported to Canada, in 1910, \$462,128 worth of sewing machines. Have you any reason to doubt the accuracy of those figures?

Mr. HEARNE. No, sir.

Senator WILLIAMS. I find that our next-door neighbor, just below us, with the most remarkably cheap labor in the world—Mexico—imported from us \$469,254 worth of sewing machines. If labor makes up 90 per cent of the total cost of a sewing machine, it would seem to me that Mexico ought to be able to manufacture sewing machines exceedingly cheaply. Does it not seem so to you?

Mr. HEARNE. I do not think Mexico is a manufacturing country.

Senator WILLIAMS. No; I know it. Mexico is not a manufacturing country at all in any line, is she?

Mr. HEARNE. In some lines; yes.

Senator WILLIAMS. But not many lines.

Mr. HEARNE. No.

Senator WILLIAMS. Very few outside of mining, and a few metallurgical processes connected with it. Yet, Mexico, with a cheapness of labor that would make a South Carolina plantation darky ashamed of himself, imported from us \$469,254 worth of sewing machines. You have no reason to doubt the accuracy of those figures?

Mr. HEARNE. No, sir; none at all.

Senator WILLIAMS. Now, we will go down to South America, because this is a sort of geographical journey. Do you know much about Argentina?

Mr. HEARNE. No, sir; I know there is such a place, and I know it is a very fine country.

Senator WILLIAMS. It is one of the most prosperous countries in South America, is it not?

Mr. HEARNE. I believe so; yes, sir.

Senator WILLIAMS. In comparison with other countries in South America, it has the most highly developed industrial system, has it not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. I find that Argentina imported from us \$581,450 worth of sewing machines. You have no reason to doubt the accuracy of that statement?

Mr. HEARNE. None, sir.

Senator WILLIAMS. Now, let us go to a country in South America not so highly developed, but with remarkably cheap labor of all sorts of mixed races—Brazil. I find that Brazil imported from us \$774,810 worth of sewing machines. In sending these sewing machines to Argentina and to Brazil, we had to send them chiefly in foreign bottoms, did we not?

Mr. HEARNE. I think so; yes, sir.

Senator WILLIAMS. Our merchant marine is not much there. And when the transaction was financed, it had to be financed chiefly through German and English banks; did it not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. We have not any American international banking facilities there to any great extent?

Mr. HEARNE. Not that I know of, except William R. Grace & Co.

Senator WILLIAMS. And they had to pay the ocean freight rate?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. I do not know, but do you know whether there are any protective tariffs in either Argentina or Brazil against sewing machines?

Mr. HEARNE. I do not know, sir.

Senator WILLIAMS. I do not, either. Now, let us go to the other side of the world.

Senator HEYBURN. Senator, will you allow me to ask, right there, whether or not those values are based upon the cost of making the machine, or upon the selling price?

Senator WILLIAMS. They are absolutely the selling price, of course; and the selling price must bear some remote relationship to the cost of production.

Senator HEYBURN. I thought so, until this question came up.

Senator WILLIAMS. You understand how the Federal Government takes these prices. It takes them from the invoices of the goods that are exported.

Mr. HEARNE. From the clearances.

Senator WILLIAMS. And when the goods come in the prices are taken from the invoices raised by the customs people.

Senator CLARK. Made perfect by the customs people.

Senator WILLIAMS. So this is a very low state of the values.

Now, I am going to go to the other side of the world, because this is quite an interesting geographical expedition. How do we get to Australia from here? We either have to go around by Great Britain and through the Suez Canal, or we have to go around by Cape Horn and across the Pacific, or else we have to cross the American continent by rail and then cross the Pacific; do we not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Do you know any other way of getting to Australia except those three?

Mr. HEARNE. Not yet.

Senator WILLIAMS. I find that we exported to Australia, during the year 1910, \$291,328 worth of sewing machines. We had to pay freight around Cape Horn if we went around Cape Horn with the sewing machines; did we not?

Mr. HEARNE. Undoubtedly somebody had to pay the freight.

Senator WILLIAMS. We had to pay the transcontinental railway freight to San Francisco, and then the Pacific freight, if the machines went that way; did we not?

Mr. HEARNE. If they went that way; yes, sir.

Senator WILLIAMS. And we had to pay the freight by way of Liverpool and across the Suez Canal and then through the Mediterranean and the Indian Ocean and the Red Sea, if the machines went that way; did we not?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. And yet we landed \$291,328 worth of sewing machines in a British colony that England could reach by the Suez Canal in half the distance we could?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. Have you any reason to believe those figures are incorrect?

Mr. HEARNE. No, sir.

Senator WILLIAMS. I find a recapitulation down here. I find that we exported to Europe the following amount: First, however, I will ask you if, in your opinion, Europe is not the most highly organized industrial country in the world, outside of the United States and Canada?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. You think so?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. I will not ask you to analyze why you think so; but you do think so?

Mr. HEARNE. Yes, sir.

Senator WILLIAMS. I find that we exported to Europe \$3,689,973 worth of sewing machines, in the aggregate, part of which I have referred to. I find that to the balance of North America we exported \$1,434,222 worth of sewing machines. I find that to South America, without the aid of any merchant marine or any banking arrangements, contrary to the old axiom that "commerce follows the flag"—which, of course, is a falsehood, and is now recognized as such—we exported \$1,772,945 worth of sewing machines. And I find that to Oceania, which includes not only Australia, but New Zealand and Tasmania, we exported, in round numbers, half a million dollars' worth of sewing machines—to be exact, \$409,851.

As a rule, do goods go to the countries where the owners of the goods can make a profit on them or not?

Mr. HEARNE. Undoubtedly that is where they go. They go to merchants who sell them again and make a profit.

Senator WILLIAMS. As a rule?

Mr. HEARNE. Undoubtedly; always.

Senator WILLIAMS. That is, unless a man is philanthropically inclined or merely trying to keep up during a strike or strife or strain or emergency. You assume the fact to be, therefore—although the Senator from Wyoming denied your right to assume any fact—that these people made a profit when they sold these goods?

Mr. HEARNE. I assume that fact.

Senator SMOOT. Do you know what kind of sewing machines all of these exportations consisted of that the Senator from Mississippi has been regaling you with?

Mr. HEARNE. I should say that the exports to the South American countries and to the less civilized parts of the world were mostly of family machines or foot-power machines, while those to Germany and England would be, I think, more manufacturing machines.

Senator SMOOT. In other words, the great bulk of these exportations were manufacturing machines?

Mr. HEARNE. Yes, sir; I think so.

Senator SMOOT. The European machines were not family machines. They were imported by the Europeans for the purpose of manufacturing certain articles?

Mr. HEARNE. Not all of them, sir; not all of them. The greater part of them were.

Senator SMOOT. The greater part of them?

Mr. HEARNE. That is only my belief. I believe that is so.

Senator SMOOT. You are in the business and you ought to know.

Mr. HEARNE. Yes, sir; that is my belief. I believe they were.

Senator SMOOT. The same thing is true in relation to North America, is it not, as to the machines going up into Canada?

Mr. HEARNE. I think the Canadian imports are pretty well mixed, because I think they sold both there.

Senator SMOOT. The Singer Sewing Machine Co. has a plant in Canada?

Mr. HEARNE. The Singer Sewing Machine Co. is not everybody, sir.

Senator SMOOT. Do not worry about that. The Singer Sewing Machine Co. has a plant in Canada, has it not?

Mr. HEARNE. Yes, sir; it has.

Senator SMOOT. So that the tariff did not cut any figure whatever with the Singer Sewing Machine Co., did it?

Mr. HEARNE. I do not understand your question.

Senator WILLIAMS. Except as to the higher cost of Canadian labor.

Senator SMOOT. Canadian labor is no higher than labor in this country.

Senator WILLIAMS. It is not? I thought it was in the manufacturing business.

Senator SMOOT. Oh, no.

Mr. HEARNE. I think the factory of the Singer Co. in Canada is not a highly organized factory, like the one they have here. I think it is operated for the purpose of assembling machines and doing some part of the work.

Senator SMOOT. Certainly. They are making the house machine or home machine at the Singer plant up there, are they? So that the great importations by Canada from this country are of machines that go there for the purpose of manufacturing goods?

Mr. HEARNE. I have no knowledge that they are manufacturing the entire machines there at all.

Senator SMOOT. Are you only an importer?

Mr. HEARNE. I am a manufacturer also on a small scale.

Senator SMOOT. Where do you manufacture?

Mr. HEARNE. In New York City.

Senator SMOOT. What class of goods do you manufacture?

Mr. HEARNE. We manufacture some special sewing machines used to manufacture straw hats.

Senator SMOOT. Some bagging sewing machines?

Mr. HEARNE. Bag sewing machines; yes, sir.

Senator SMOOT. And some shirring machines?

Mr. HEARNE. Yes, sir; we make shirring machines also.

Senator SMOOT. Pinking machines, and so on?

Mr. HEARNE. Yes, sir; all that you will find on the letterhead.

Senator SMOOT. You are a manufacturer of all of the machines you name there?

Mr. HEARNE. Yes, sir.

Senator SMOOT. What is your total production?

Mr. HEARNE. I can not give you exact figures, personally, but we make only a few special machines, sir.

Senator SMOOT. You are the secretary and treasurer of that concern?

Mr. HEARNE. I can tell you what our total business is, but I can not give you the production of those machines offhand, because I do not know.

Senator SMOOT. You know about what it is, do you not?

Mr. HEARNE. I doubt if it is \$25,000 a year.

Senator SMOOT. That is what I thought.

Senator McCUMBER. Most of the machines that we export to Germany and England and Scotland, then, are special machines that are not manufactured there? Is that correct?

Mr. HEARNE. I do not know that, sir. I simply made the statement of my belief that the exportation of sewing machines to the more civilized countries would consist of manufacturing machines, as well as the family machines, while to the distant countries, like South America and Australia, I thought there would be more family machines exported, because goods are not manufactured to any extent in those countries.

Senator McCUMBER. Then, when we come in competition with Europe in Germany and England and Scotland, it is because we are able to export to them a machine used for general manufacturing purposes that they do not manufacture over there?

Mr. HEARNE. In some cases that is true.

Senator McCUMBER. Is it not true in most cases where we have exported to those countries?

Mr. HEARNE. No, sir.

I should be much obliged if you would allow me to continue my statement. I have been trying for half an hour to do it.

The CHAIRMAN. Go on with your statement, Mr. Hearne, and answer the questions later.

Senator McCUMBER. I do not know that it makes much difference, Mr. Chairman, at which end we get this information.

The CHAIRMAN. Mr. Hearne seems to think he can enlighten the committee better if he has a little chance. He has not had much chance for three or four hours.

Senator McCUMBER. We had a good argument from the Senator from Mississippi just now—quite lengthy and very elucidating. I might want to get a little bit of information along that line, if you will allow me, Mr. Chairman. I do not know whether we ought to levy any tariff on sewing machines or not. What I am more interested in is knowing not so much whether they can possibly manufacture them cheaper or more expensively on the other side of the ocean, but whether, considering the cost of the machine and what it costs to put it on the market and into the hands of the consumer, the price

being charged for the average family machine is so exorbitant that we ought to let in importations to lower it. I should like to get that information from this witness, if I can. If the price is not exorbitant, we do not need to cut it down by importations. If it is, and we can bring the price down, I think we ought to let in the importations.

Mr. HEARNE. I think it is exorbitant in the sense that such a concern as the Singer Co. has made enormous profits out of it, millions and millions every year. Therefore, in that sense, it is exorbitant. In the other sense no price is exorbitant if you can get it.

Senator McCUMBER. I tried to get from you the cost of putting the machine on the market after the \$9 cost of manufacture, and to find whether then there was still left for the company an exorbitant profit.

Mr. HEARNE. I think, sir, the dividends they are paying and the capital stock and surplus they have shows it.

Senator McCUMBER. Is it the same with all of the other companies as with the Singer Co.?

Mr. HEARNE. Most of them are pretty wealthy.

Senator McCUMBER. Does their wealth consist of money that has been made in the earlier periods when they were operating under patents and when they could charge from one hundred to two hundred dollars a machine; or has it been made in the last 10 years?

Mr. HEARNE. The sewing-machine business, to my knowledge, sir—and I have been at it for 30 years—has been from its inception a very profitable one for the manufacturers. Very few of them have made failures of it.

Senator McCUMBER. You can remember when this \$45 machine sold for over \$100, can you not—a machine that was not nearly so good as the present one?

Mr. HEARNE. I knew of it—in fact, they sold even higher than that. But I was not in this country all the time. I am an Irishman.

Senator McCUMBER. You are not certain, then, except, as you judge from the returns of the Singer Sewing Machine Co., whether the price now paid by the consumer of the ordinary family machine is an exorbitant price, taking into consideration the cost of marketing?

Mr. HEARNE. I certainly think it is exorbitant; yes.

Senator McCUMBER. That is all I want to get at.

Mr. HEARNE. May I proceed?

The CHAIRMAN. Go ahead.

Mr. HEARNE. The point I wish to make, sir, is that the sewing-machine business of to-day is not confined to the family sewing machine, or the sewing machine for sewing an ordinary seam. The development of the sewing machine has been something wonderful. There are special machines made for all sorts and kinds of operations. Take the manufacture of shoes, the manufacture of hats, the manufacture of corsets; there are highly complicated and elaborate machines made for all those purposes. Therefore, in speaking of the price of sewing machines, I do not wish to be understood as always referring to the price of family sewing machines. The committee, of course, have spoken a great deal of the family machine. I have not laid any stress on it. I have no particular desire to do so.

There are a great many manufacturing machines being developed now in Germany, and under the present tariff they can not get into this country. The prices are high, anyway, over there. The prices

on special machines are higher than they are here. I believe they cost more to make, and I know they charge very high for them; and even though the prices are very high here, the tariff keeps them out.

If the committee will realize the enormous extent of the special sewing-machine business, I think the matter will be a little clearer.

I think that is all I have to say on sewing machines proper. But the subject of embroidering machines is something that is so mixed up with sewing machines that it ought to be considered at the same time.

The classification in paragraph 64 of the Underwood bill is too vague, and has led to litigation between the Government and the importers during the last two and a half years. The difficulty is as follows, and I will ask the committee to follow closely the reasoning:

Embroidering is only fancy or ornamental sewing. All sewing machines are capable of doing embroidering, and many are so used. The work shown on the illustration that I offer here is done on an ordinary sewing machine. [Handing card to members of the committee.] That is typical of embroidering, because it is done with the sewing mechanism. That is only an illustration, but it shows it very clearly. It was done on an ordinary sewing machine. All embroidering machines are primarily and necessarily sewing machines to start with. Yet two different rates of duty are specified for sewing machines and embroidering machines under both the present tariff and the proposed tariff. Under the existing tariff embroidering machines pay 45 per cent duty and sewing machines 30 per cent.

The kind of embroidering machines which I believe it was intended to differentiate from sewing machines are big gang multiple-needle machines, suitable for making nothing but embroidery on a very large scale. The work that is done by these machines, however, is exactly the same as that shown you as having been done on a family sewing machine.

Senator CLARK. This is just a picture of the embroidery?

Mr. HEARNE. That is all, but it shows it very clearly. The gang machines make as many as 750 pieces at once.

I have here an illustration of an embroidery machine as I understand such to be. It is a machine that is 40 feet long, employs 750 needles and 750 shuttles, and is practically nothing but a gigantic sewing machine. Such a machine costs in Germany, where they are made, or in Switzerland, about \$2,000.

Senator SMOOT. Of course, when machines of that class are exported, they run into money very fast.

Mr. HEARNE. Those machines are not made at all in this country, sir.

Senator SMOOT. They are made only in Germany?

Mr. HEARNE. In Germany and Switzerland. I am not proposing to change the Underwood bill duty on them at all. I am simply pointing out the fact that the classification as between embroidering machines and sewing machines is so vague that it is impossible for anybody to tell where one stops and the other begins. I have a remedy to suggest, though, if you will allow me.

I wish to call attention to a typical embroidering machine of what I call the single-head type. It is similar to an ordinary sewing ma-

chine and is practically in the category of a sewing machine. In fact, it is the original sewing machine invented by Thimonier.

Senator HEYBURN. With a special attachment for embroidering?

Mr. HEARNE. No, sir. It has a universal feed, which makes it more adaptable for embroidery. But a great many of the machines are used for sewing on braids and for sewing on appliqué work and work which is not classified as embroidery in any way.

Senator HEYBURN. It depends upon the skill of the operator?

Mr. HEARNE. With the handle they can follow a set pattern.

I wish to point out that that is the original sewing machine, the one invented by Thimonier in France before Singer's time. And yet that to-day is called an embroidering machine simply by using the phrase loosely.

As I have said, these gang machines are made up to nearly 40 feet long, employing as many as 750 needles and shuttles simultaneously, while the sewing machines have generally a single operating head and seldom use over six needles. There are multiple-needle sewing machines made which employ six needles for corset work.

I would suggest that paragraph 78, line 9, be amended to read as follows:

Sewing machines and embroidering machines, single needle or multiple needle, employing less than 10 needles.

And I would suggest that paragraph 64, line 22, be amended to read as follows:

Multiple-needle embroidering machines employing over 10 needles.

This will avoid any misunderstanding.

Senator SMOOT. Have the decisions of the Treasury Department been regular and uniform on the question of what a sewing machine is?

Mr. HEARNE. No, sir; utterly irregular. They say they do not know "where they are at." That has been told me by half a dozen appraisers; they do not know "where they are at." It is purely a question of the individual opinion of the man.

Senator SMOOT. This is the first time I have heard there was any dispute as to what a sewing machine is.

Mr. HEARNE. I thought it was very strange until I got into it, but I have been up against that for some time. I have also had this condition: The duty on sewing-machine needles is higher in proportion than the duty on embroidering-machine needles; and I have had classified at the same time, simultaneously, a machine called an embroidering machine, on which the duty was 45 per cent, while the needles for that machine were classified as sewing-machine needles because they have a higher duty than embroidering-machine needles.

Senator CLARK. Evidently they needed the money.

Mr. HEARNE. No, sir; it is simply impossible for any man to draw the line clearly with the present wording of the paragraphs. I think my definition makes the matter very clear. I do not think anybody would confuse the large gang embroidering machine with a sewing machine, and I do not think it is right to classify the sewing machine proper as an embroidering machine.

I think a duty of 25 per cent on the multiple needle gang embroidering machines is sufficient. They are not made in this country, and never have been, and if we do want to make them in this country I think we can make them to compete with the Germans. I think so because of their enormous bulk and the cost of erection, which is a very large part of their cost here. They are not shipped complete, but are shipped in pieces and then put together, and a good deal of labor is required to put them together.

That is all I have to say on embroidering machines. But needles, I think, are mixed up with both of the paragraphs, and I want to speak briefly of those.

Referring to paragraph 33, relating to needles: The available official data are not in a readily understandable shape. I think I can show the committee, however, that American manufacturers of needles do not need protection, and that a tariff of 25 per cent ad valorem is high enough for any purpose. The needle paragraph not only covers sewing-machine needles, but also knitting-machine needles, latch needles, knitting needles, crochet needles, and needles not specially provided for, so that only an estimate of the imports of each can be made.

The total imports of knitting and sewing-machine needles for 1910 are given as about \$75,000. Probably the sewing-machine needles are one-half of the amount, or, say, \$38,000. For 1911 the figures, taken in the same proportion, would be, say, \$47,500. That is only an estimate, because the report of the House committee does not give the details of it, and they are not available to me.

One concern here practically dominates the sewing-machine-needle business, and is becoming a very large factor in the latch-needle business. I refer to the Excelsior Needle Co., of Torrington, Conn., which also owns and operates the National Needle Co.'s plant. It has several factories here, and operates factories in Great Britain and Germany, and has a branch house in Buenos Aires, South America.

The other makers are the Singer Manufacturing Co., who make only for their own use, and the New Home Sewing Machine Co., who make principally for themselves and sell a small balance.

There are no figures available as to the exports of sewing-machine needles. But if we allow 5 per cent of the exports of sewing machines and parts, which were about \$9,000,000 last year, we have \$450,000 for 1911 and \$375,000 for 1910, which is about 10 times more than the imports. The best German concerns—such as Leo Lammertz, of Aachen, which employs 1,200 hands, and Wolff & Knippenberg, of Ichttershausen—charge more in Germany than the best American needles are sold for here at retail.

Most of the sewing-machine needles imported here, as well as most of the latch needles imported, are for foreign-made special machines. I have selected three leading items which we import from these German makers which are similar to American needles, though not exactly the same; but they are similar so far as cost of production goes.

A needle such as is called here the Singer round-shank needle, landed here from Germany, duty paid, from Leo Lammertz, costs \$10.94 per 1,000. American goods are sold at \$7.50 per 1,000 to

the consumer. In the case of another needle, for shoe-sewing machines, the German goods cost \$5.16 to import, while the American goods are sold to the consumers at \$4. In the case of another, for fur-sewing machines, the German goods cost \$15 per 1,000 and the American goods \$9.50.

Referring to paragraph 66, which covers manufactures of metal and machinery in general not specially provided for, I submit that, as the exports of machinery alone for 1911 were \$104,528,722 and the imports only \$8,795,891, including all kinds of machinery—sewing machines and embroidering machines—25 per cent, as provided for in the Underwood bill, is ample.

That is all I have to say, gentlemen.

Senator SMOOT. Do you know how many plants the Singer Sewing Machine Co. have in America?

Mr. HEARNE. I understand they have a plant at Grand Rapids. Their principal plant is at Elizabethport.

Senator SMOOT. Have they one at Grand Rapids?

Mr. HEARNE. Yes, sir. I think that is a furniture factory. They make sewing-machine furniture.

Senator SMOOT. Do you know how many people they employ?

Mr. HEARNE. I do not, sir. I know they are very large employers of labor. Next to the Steel Corporation they are one of the largest employers of labor in the United States.

Senator SMOOT. I wanted to take each plant separately.

Mr. HEARNE. I could not tell you, sir; I do not know.

Senator SMOOT. You know nothing about the number of employees in each plant?

Mr. HEARNE. I do not, sir.

Senator SMOOT. You do not know the total number of people employed in America by that company, do you?

Mr. HEARNE. I have been told that they employ in the Elizabethport factory, when they are busy, several thousand hands. I am not sure of the figure. I think it is over 3,000, but I am not sure. I think it is more than that. But they have a great many other employees. Having so many offices around the United States, they are very large employers of labor.

Senator SMOOT. Do you know whether they employ more American people than they employ in their factories abroad?

Mr. HEARNE. What do you mean by "American people"?

Senator SMOOT. I mean more people in their American plants than they employ in foreign countries.

Mr. HEARNE. I think they do employ more. I do not know that; but that is my belief, from general knowledge.

Senator SMOOT. Is there any truth in the statement that they are constructing a plant in Russia?

Mr. HEARNE. I have understood that they have a plant there or are putting up one.

Senator SMOOT. The largest in the world?

Mr. HEARNE. That I could not say, sir; I do not know; but I understand they are putting up a plant there. The Russian trade in the sewing-machine business is a very good trade, I understand.

Senator SMOOT. Has it not been publicly stated by the press that they intend to employ 20,000 men in their plant in Russia?

Mr. HEARNE. I do not pay much attention to what the press says on those things, because they are not accurately informed. I do not think they could employ 20,000 men in making sewing machines, even in this country. That number must be too large.

Senator SMOOT. You know nothing about it, then?

Mr. HEARNE. I do, sir; I have a general knowledge on the subject. I know that a plant employing twelve or fifteen hundred or two thousand hands will turn out a good many sewing machines.

Senator SMOOT. But you know nothing about how large their plant is in Russia?

Mr. HEARNE. I do not, sir.

Senator SMOOT. I thought you did. That is the reason I asked the question.

Mr. HEARNE. But I think your figures derived from the papers are entirely wrong.

STATEMENT OF MR. CHARLES STRAUSS, OF NEW YORK CITY, REPRESENTING THE UNDERWOOD TYPEWRITER CO. AND OTHER MANUFACTURERS OF TYPEWRITING MACHINES.

The CHAIRMAN. Where do you reside, Mr. Strauss?

Mr. STRAUSS. In New York City.

The CHAIRMAN. Whom do you represent?

Mr. STRAUSS. I represent a number of typewriter companies.

The CHAIRMAN. Will you mention them?

Mr. STRAUSS. The Underwood Typewriter Co., of Hartford, Conn., and New York; the Remington Typewriter Co., of Ilion, N. Y.; the Monarch Typewriter Co., the Smith Premier Typewriter Co., the Sun Typewriter Co., the Elliott-Fisher Co., the Standard Typewriter Co., the Yost Co., and the L. C. Smith Co.

These corporations are engaged in the manufacture of typewriters in the States of New York, Pennsylvania, Connecticut, New Jersey, Massachusetts, Michigan, Illinois, and, in fact, are engaged in small manufactures in practically every State in the Union.

I know that the committee is burdened with a long calendar and that the hour is late, and that I ought not to digress from the notes I have made with the intention of sticking close to my text, because the subject, necessarily, is a large one. But at the very outset I want to protest against the misrepresentation of the typewriter industry that has been flippantly indulged in by my predecessor who spoke at this table just now.

I do not pretend to know anything about the sewing-machine business, and from what he has disclosed I am satisfied he knows nothing about the typewriter business. If you place typewriters on the free list—and he suggests that course to the committee—you will embarrass the industry in this country to so great an extent that while I do not insist that the industry will be utterly destroyed, because there may be enough native ingenuity among these great manufacturers to provide themselves with some expedient short of absolute bankruptcy, still the chances are that you will drive them out of the country and that they will have to do exactly what the Singer Manufacturing Co. has done.

I do not know my friend here by name. I do not know who he is. He says to you that he does not represent the Singer Sewing Machine

Co., and I believe him. But he did not say to you, and you did not ask him, what foreign manufacturers he represented. If he had actually come here under a retainer to present the views and the arguments of the foreign manufacturers of sewing machines, he could not have more completely or adequately covered the case from their point of view.

Senator CLARK. He said substantially that. He said he appeared as an importer.

Mr. STRAUSS. I was not here when he made that remark. I do not want to quarrel with the gentleman. I do not know him and I am not seeking a quarrel. My business here is too important. Nor would I have wasted one moment nor one breath upon the subject of attempting an answer to him if it were not that he plainly indulged in the suggestion, without knowing anything on the subject, that typewriters were of the class of machines which you might freely, and without risk, place upon the free list.

It may be known to you that the typewriter industry is purely an American industry. I am going to stick to my notes, for fear of digressing some more. It is purely an American invention. I suppose the entire industry, in its larger aspects, is not much over 25 years old; and it does not exceed altogether about 30 years. That the industry is misunderstood, perhaps, as my friend here misunderstands it himself, is evidenced by the fact that its product is really on this free list. I am certain that if the industry were looked at, either comparatively or integrally, the House committee never would have indulged in the error of suggesting that the product go upon the free list.

The product is not composed of metals in the sense that it is a manufacture of metals and comes within that classification in the schedule. I am going to show you that there are at least a dozen other articles that enter into the composition and manufacture of a typewriting machine, the absence of which will make the manufacture of the machine impossible, and without which you could not make a typewriter. I am going to show you, further, that although to the extent of 90 per cent the materials which go into the construction of a typewriter are American, and come from this country; the balance are all imported. They are all subject to tariffs. Duty in varying degrees must be paid upon all of them. So, to summarize that suggestion, reserving the privilege of going into a little detail later, if you place the typewriting machine upon the free list you are going to compel the manufacturer to pay duty on a dozen or more different ingredients of its composition, and yet compel him to sell the machine free against those nations of Europe that are now active producers of this article, and that do not pay duty upon those very things which go into its composition.

My second proposition is that the profitable conduct of this business is very much misunderstood. I do not know what the gentlemen of the committee think; but because of the notoriety that attaches to the spread of this business, and the repute that is given in the world markets to one or two or three of the American typewriting machines, it has been generally assumed that the conduct of the business is very profitable.

To-day there are 15 distinct types of high-grade typewriting machines manufactured in this country by as many independent com-

panies, having no relation whatever with each other. With the exception of perhaps three machines, no directors of one have any relation or connection with any other, nor have the stockholders of one any interest in any of the other enterprises. They are in every respect—and you may take the assurance for it—absolutely independent concerns, in open competition in the market, each one striving to make a little better product or attach some additional novelty to the product already produced and introduced, each one striving to locate and hold his customer, competing in the price market as well as in the quality of the production.

The total capitalization of all the typewriter companies of sufficient significance to be considered in the making of any estimates is approximately \$55,000,000. I am giving round figures, of course. The combined production is about 450,000. The retail value of that production is approximately \$40,000,000. The industry employs in actual manufacture in its factories about 13,500 people, and in addition to that, in the office management and in the department of distribution, about 14,000 more, making a total of between 27,000 and 28,000 people actually employed.

The machines produced are of different grades. By that I mean that some are smaller than others. There is a standard class of machines, known as standard typewriters. Then, from that standard class or grade, machines are larger or of wider carriage, running to sizes which insurance and banking companies use or running to smaller sizes. Then some of them are made—the intention being to reduce the price—so as to perform only a part of the service that the standard machine performs, so that they are not good reproducers of manifold and other work of that kind. Some have calculating or tabulating apparatus attached; others have not. Then there are special machines for billing and machines fitted with various devices and attachments for special office work.

I am explaining this in anticipation of my statement to you that the retail price runs from \$65 to \$105 for each machine.

Senator CLARK. Let me ask right there—I do not want to interrupt you, but I should like to know this—how the retail price is fixed?

Mr. STRAUSS. The retail price is fixed by each concern independently. I will explain it to you in a moment. There is nothing to conceal here.

Senator CLARK. I simply want to get my mind running in the right direction. As I understand, these various companies sell only through their authorized agents? Is that right?

Mr. STRAUSS. Yes.

Senator CLARK. They do not make a habit of wholesaling to the market?

Mr. STRAUSS. Some of them have dealers in some places. They have their own branch offices and sell at retail; and here and there, largely by reason of exigencies of environment, they will select a dealer and let the dealer run the trade in that section of the country—perhaps on account of language, or foreign custom, or rules of trade. It may be that in some places corporations are not permitted to do business—which is, in fact, the case—without ruinous and practically prohibitive taxation. After a while those things adjust them-

selves to the situation, the requirements, and the necessities of the trade, and compel the adoption of certain rules. I do not say those rules are universal. When I say these things, I am speaking largely from the point of view of the Underwood Typewriter Co., which now is perhaps the leader in this market, and with which I have been identified from the beginning. I know what their rules are.

The price, therefore, is fixed by the original cost, plus the cost of office management and the cost of the distribution plant, plus a profit that averages between ten and twelve dollars a machine, depending upon its location.

When I say "between ten and twelve dollars a machine," I want to make this statement as impressive as I can: That that is about the maximum profit realized in the typewriter business. It is not realized by all the typewriter manufacturers. In fact, it is realized only by the successful producers. Representing so many of these industries, I almost hate to make this statement, but it must come out: I do not believe there are six typewriter manufacturers in the United States who make as much as \$10 a machine. I am perfectly safe in saying that that amount is made only by the successfully conducted companies.

Senator WILLIAMS. In that connection, would you mind putting in the report of the hearing—I do not ask you to do it now, because I realize you are not prepared to do it—the last report of the most successful company you know, show the amount of their sales, the number of machines they have sold, the dividends they have declared, the amount they have had added to surplus, and the amount of profit that they have put back in the plant?

Mr. STRAUSS. I will give it to you from memory right now.

Senator WILLIAMS. I would rather you would not give it from memory, because I want to have it right.

Mr. STRAUSS. I can give it to you pretty nearly accurately. I am a member of the executive committee of the Underwood Typewriter Co.?

Senator WILLIAMS. When you give it from memory, are you prepared to testify that your memory is a fact?

Mr. STRAUSS. Yes.

Senator WILLIAMS. I ask that because I want the facts. I want the Senate to know the facts.

Mr. STRAUSS. Yes; I am prepared to testify that what I state is a fact, as far as I will go.

Senator WILLIAMS. Oh, I understand that, of course.

Mr. STRAUSS. If anything further is required, I will furnish it in writing.

Senator WILLIAMS. I hope you did not think I intended to intimate anything to the contrary.

Mr. STRAUSS. I am sure you did not, Senator.

The statement for the year 1911 of the Underwood Typewriter Co., which I think answers your description, went through my hands last week. In fact, it has been out only 10 days. I speak of the statement which is reported by the company to the New York Stock Exchange under its rules, it being the only typewriter company which has its stock listed on that exchange. The total net profit for the year 1911 was one million two hundred and seventy-seven thousand and some hundred dollars.

Senator WILLIAMS. Do you know the amount of the total receipts?

Mr. STRAUSS. No; I can not answer as to the gross amount.

Senator WILLIAMS. I will ask you to add that to your statement later.

Mr. STRAUSS. Yes; I will do so. The approximate number of machines sold—

Senator WILLIAMS. Why do you say "approximate"?

Mr. STRAUSS. Because I can not give it to you exactly.

Senator WILLIAMS. Then, you are merely trying to approximate now?

Mr. STRAUSS. Yes.

Senator WILLIAMS. All right.

Mr. STRAUSS. I can not give it to you except from memory.

As I say, the approximate number of machines sold was 100,000. The dividends paid by the company—I will reach that in regular course later, but to make it all consistent serially I will state it now—were 5 per cent on \$5,000,000 of preferred stock and 4 per cent on \$8,500,000 of common stock. The balance has been credited to surplus account.

Senator WILLIAMS. In that connection, do you know of what the common stock consisted—whether cash was paid for all of that stock or whether some of it was paid for in services or in property?

Mr. STRAUSS. It was not all cash.

Senator WILLIAMS. Can you give me from memory how much was cash and how much was services or property?

Mr. STRAUSS. I think I can, sufficiently for your purpose.

The preferred stock of the company of \$5,000,000 was all cash. It went through my hands, in fact. Of the common stock of \$9,000,000—speaking of that one company—\$500,000 was reserved in the treasury and \$8,500,000 was issued. That \$8,500,000 was issued for the preceding corporation which conducted the business. That concern was a \$3,500,000 corporation and had on its books approximately a \$2,000,000 surplus.

Senator WILLIAMS. Who valued, or did anybody value, the old company's property when it was turned in for stock?

Mr. STRAUSS. Yes, sir.

Senator WILLIAMS. Who did it?

Mr. STRAUSS. Quite a few people. The banking firms of Goldman, Saxe & Co. and Dieman Bros., of New York, together with a firm of chartered accountants—Tousch, Sniffen & Co. In addition to that there were nominated by them for the express purpose of making the appraisal, Mr. Joseph P. Day, to value the real estate—he is a well-known real estate operator in New York—and Capt. Joseph B. Greenhut, formerly of Chicago, now of New York, at the head of the Siegel-Cooper concern—the capitalist himself, a general merchandiser, who was selected by them to value the plant and to value its general assets.

Senator WILLIAMS. Outside of the real estate?

Mr. STRAUSS. Outside of the real estate.

Senator WILLIAMS. How did the valuation of the real estate compare with its assessed valuation for taxation during the same year?

Mr. STRAUSS. I do not recall.

Senator WILLIAMS. If you can get those figures, will you send them to us and let us put them in?

Mr. STRAUSS. Yes; certainly.

Senator WILLIAMS. Now, as to the valuation of the plants, outside of the real estate, that were taken in, and for which common stock was issued. Can you tell us what was the capitalization of the various concerns taken in, and how that compared with the common stock issued?

Mr. STRAUSS. There were no various concerns taken in. I am speaking only of one company that always has been, from the beginning, the Underwood Typewriter Co.

Senator WILLIAMS. I understand you are speaking of the Underwood Co.

Mr. STRAUSS. Yes, sir.

Senator WILLIAMS. But the Underwood Co. took in these various subordinate concerns.

Mr. STRAUSS. Not at all.

Senator WILLIAMS. I thought you said so a moment ago.

Mr. STRAUSS. It simply enlarged itself.

Senator WILLIAMS. You said something a moment ago about some plants.

Mr. STRAUSS. Yes; but that was the old Underwood Typewriter Co. It is the same company.

Senator WILLIAMS. Ah! Then the new Underwood Typewriter Co. took in the old Underwood Typewriter Co.?

Mr. STRAUSS. Exactly; and put in \$5,000,000 of cash.

Senator WILLIAMS. Then how did the paid-up capital of the old Underwood Typewriter Co. compare with the common stock issued to the stockholders of the old Underwood Typewriter Co. when they went into the new Underwood Typewriter Co.?

Mr. STRAUSS. I will explain that there was put into the new company \$5,000,000 cash, for which \$5,000,000 in preferred stock was issued. There was given in exchange for this \$8,500,000 of common stock the old business of the corporation, which stood upon its books and was valued—I am speaking of approximate figures—at about \$5,500,000. The balance went for patents and good will.

Senator WILLIAMS. How much of the preferred and the common stock of the new company went in payment for the stock of the old company?

Mr. STRAUSS. Not a dollar of preferred stock.

Senator WILLIAMS. How much of the common stock?

Mr. STRAUSS. All of it.

Senator WILLIAMS. And that was \$8,000,000?

Mr. STRAUSS. \$8,500,000.

Senator WILLIAMS. What was the paid-up capitalization of the old Underwood Co.?

Mr. STRAUSS. \$3,500,000.

Senator WILLIAMS. So that \$8,500,000 of the new company's stock represents the \$3,500,000 of paid-up capital of the old Underwood Typewriter Co.?

Mr. STRAUSS. If you mean that it represents it in the sense of being substituted for it, I can not agree with the statement. Generally speaking, I will say yes.

Senator WILLIAMS. I shall not quarrel about words. We want to arrive at ideas.

Mr. STRAUSS. The \$3,500,000, plus the surplus which had been accumulated of about \$2,000,000, making about \$5,500,000, was transferred by deed, bill of sale, transfer, etc., in exchange for the \$8,500,000 of common stock.

Senator WILLIAMS. Very well. Then \$3,500,000 of paid-up capital in the old company, plus \$2,000,000 of surplus, which I admit was just as good property of the old company as the paid-up capital stock, went in payment for \$8,500,000 of common stock of the new company? Is that correct?

Mr. STRAUSS. Substantially. In addition, there were the patents which were transferred—some seven or eight hundred patents, which from time to time had been purchased.

Senator WILLIAMS. Were those patents valued separately?

Mr. STRAUSS. No.

Senator WILLIAMS. The patents already belonged to the old company, did they not?

Mr. STRAUSS. Yes; they did.

Senator WILLIAMS. So that in whatever the old company transferred to the new company the patents were included?

Mr. STRAUSS. Substantially; yes.

Senator WILLIAMS. So that for \$3,500,000 of capitalization, plus \$2,000,000 of surplus, the old company got \$8,500,000 of common stock in the new company, and the old capitalization and surplus together included the patents, and the patents were also transferred to the new company?

Mr. STRAUSS. That is substantially so.

Senator WILLIAMS. Why was the extra \$3,000,000 put in?

Mr. STRAUSS. I do not know that I—

Senator WILLIAMS. Of course, I understand that \$1,000,000 does not amount to much. An ordinary Mississippi planter is very rich with \$20,000. Of course, \$1,000,000 is something that we play with every day in Washington; we appropriate it for somebody who wants it. But how did that extra \$3,000,000 get on the common-stock list? Why should it have gotten there?

Mr. STRAUSS. I shall be glad to answer that if you will give me an opportunity, Senator.

Senator WILLIAMS. I shall give you every opportunity, of course.

Mr. STRAUSS. If you had been an owner of the stock of the old Underwood Typewriter Co.—held 500 shares of it and were perfectly content to hold it, and would not give it up unless you received a larger representation in this larger company, because you insisted that the good will of the business was of value—we would have to deal with you and either give you more stock or give you more cash, which means exactly the same thing.

Senator WILLIAMS. I see. Have we or have we not reached this conclusion, then, that in order to effect the combination—

Mr. STRAUSS. There was no combination.

Senator WILLIAMS. In order to effect the union of these minor plants, then, which had constituted the old Underwood Co., in a new charter with new conditions, constituting the new Underwood Co., it was thought worth while somehow, to somebody, to pay \$3,000,000 extra to persuade the people who were interested in the old Underwood Co. to come into the new one?

Mr. STRAUSS. Not at all.

Senator WILLIAMS. Then explain it to me, please.

Mr. STRAUSS. I think I have made my explanation.

Senator WILLIAMS. I do not mean to say that that is a correct statement. I am merely asking you, if it is not, to tell me what the correct statement is.

Mr. STRAUSS. I am afraid I did not make my explanation clear. There was no union of minor plants, as you put it. There was no union of anything. There never was more than one plant and one business that constituted the Underwood Typewriter Co. That business had reached a point—

Senator WILLIAMS. Right there I should like to ask just one question. Do I understand, then, that the new Underwood Co. contained no properties except the properties that the old Underwood Co. owned?

Senator SMOOT. And \$5,000,000.

Mr. STRAUSS. Yes; plus \$5,000,000; I was going to say—not at the time of organization. It bought them later.

Senator WILLIAMS. What was the \$5,000,000 that you refer to?

Mr. STRAUSS. \$5,000,000 cash that was put into the new company.

Senator WILLIAMS. Ah! Then I understand that somebody was persuaded to put \$5,000,000 into the new company in its reorganization from the old company?

Mr. STRAUSS. Precisely.

Senator WILLIAMS. But I want you to tell me, because I do not know, whether the new company owned any properties outside of this stock; whether it owned any visible, actual plants—manufacturing plants, working plants—that the old company did not already own?

Mr. STRAUSS. No.

Senator WILLIAMS. Did it own any patents that the old company did not already own?

Mr. STRAUSS. No.

Senator WILLIAMS. Then I understand that the new company, with no property except the stock, which may or may not be called property, and with no new patents, was capitalized at \$3,000,000 more than the old company was capitalized at?

Mr. STRAUSS. Substantially

Senator WILLIAMS. Coming back, now, to that point, will you tell me what that \$3,000,000 represented in actual value and in right of the company to charge against the consumer of the goods of the company?

Mr. STRAUSS. Why certainly; with great pleasure. It was the accretion of values made by a substantial gain in property.

Senator WILLIAMS. What was the substantial gain in property?

Mr. STRAUSS. Pardon me; will you let me express my thought in one sentence? Then I do not mind being interrupted.

Senator WILLIAMS. I will.

Mr. STRAUSS. My difficulty is that I have been trying to answer—

Senator WILLIAMS. You and I are not quarreling at all.

Mr. STRAUSS. I hope not.

Senator WILLIAMS. We are talking together in brotherly love, you know.

Mr. STRAUSS. The growth of the business during the years it had been organized indicated its prospective growth to still larger pro-

portions. That is simply a long way of describing the acquirement of a good-will value plus the capital stock. The owner of every share of the stock had a right to demand that he be paid for that good will, or his share of it. That is the reason why that \$3,000,000 was added.

Senator WILLIAMS. What was the old Underwood stock quoted at, say three months before the new Underwood Co. was formed?

Mr. STRAUSS. It was not quoted. It was not listed on the exchange, and was not dealt in.

Senator WILLIAMS. Can you tell me what it was selling at?

Mr. STRAUSS. I personally was offered \$150 a share, and refused to sell.

Senator WILLIAMS. What did the stock of the new company sell at three months after its organization?

Mr. STRAUSS. Approximately \$60 a share.

Senator WILLIAMS. Was that the price at which it was floated, or was that the price in the open market after it was floated?

Mr. STRAUSS. The price in the open market.

Senator SMOOT. That was the common stock?

Mr. STRAUSS. The common stock.

Senator WILLIAMS. What was the price at which the common stock was floated?

Mr. STRAUSS. Between \$50 and \$60 a share.

Senator WILLIAMS. How much of this was paid to the banking companies that floated it?

Mr. STRAUSS. I can not answer your question, because that was not a transaction between the company and the bankers.

Senator WILLIAMS. Some syndicate, some bank, some one, floated the new stock; did they not?

Mr. STRAUSS. A syndicate did float it; yes.

Senator WILLIAMS. And the syndicate received some commission for floating it; did it not?

Mr. STRAUSS. Undoubtedly.

Senator WILLIAMS. What was that commission?

Mr. STRAUSS. I do not recall. I have no idea.

Senator WILLIAMS. Would you mind ascertaining and then putting it in the record?

Mr. STRAUSS. It is all a matter of public property in New York. Everybody knows what you are asking, but I had no idea of discussing the proposition here or that you were going to ask that question.

Senator WILLIAMS. You know, I am a plain countryman, living away down yonder in Mississippi, buying cotton and hiring darkies, and I am seeking information.

Mr. STRAUSS. I have no objection to furnishing it.

Senator WILLIAMS. I can not get it from the New York Exchange, because our intimacy is not sufficient. So I want you to tell me what that commission was. You say you can not tell it now, and I am not pushing you at all. You know I do not intend to be unpleasant. So please find out later and give to the clerk the information as to what the commission was. If you will do that, I shall be very much pleased.

Mr. STRAUSS. Yes, sir. Let me assure you of this, Senator: I judge by your manner—if I am mistaken you need not even deny it—that

you think there are certain features of this matter which I do not care to disclose.

Senator WILLIAMS. No; I do not.

Mr. STRAUSS. Pardon me. Let me say that you are mistaken. There is no question about this industry that I can answer that I would not freely answer, and the very question you ask now I would answer on the instant if I had the figures in my mind.

Senator WILLIAMS. I know that. I am well aware of that.

Mr. STRAUSS. But what difference does it make about the tariff schedule whether a bank received compensation for placing the stock of this company or not? I say it is immaterial; but you are going to know it, as you want to know it.

Senator WILLIAMS. I do want to know it, and you are very much mistaken if you think I am trying to confuse or embarrass or worry you.

Mr. STRAUSS. You could neither do one nor the other, Senator, I think.

Senator WILLIAMS. On the contrary, I rather like the way in which you talk to the committee; and the open, frank countenance which you present to the committee.

Mr. STRAUSS. Thank you, very much.

Senator WILLIAMS. I am merely trying, as well as I can, to arrive at the truth, for the purposes of utilization by the American representatives in the Senate for the benefit of the American people.

Mr. STRAUSS. I am sure that is your only motive.

Senator WILLIAMS. I am not considering you at all, except in a friendly way. So I hope you will give us that information, if you can get it.

Mr. STRAUSS. Surely.

Senator WILLIAMS. And I hope you will give us any other information you can in connection with the organization or with the reorganization.

Mr. STRAUSS. I intend to, as soon as I may be permitted to proceed.

Senator WILLIAMS. Now, I shall permit you to proceed.

Mr. STRAUSS. Thank you very much.

Senator SMOOT. Let me see if I understand the situation. The old company, you say, had a capital stock of \$3,500,000. Was any part of that stock issued for patents, or was it all money?

Mr. STRAUSS. It was all money so far as I remember.

Senator SMOOT. So when the reorganization took effect that, together with the \$2,000,000 that the company had made by way of reserve profits, amounted to \$5,500,000?

Mr. STRAUSS. Approximately.

Senator SMOOT. Then there was added \$5,000,000 in cash to the new company, taking in all of the assets of the old company?

Mr. STRAUSS. That is correct.

Senator SMOOT. But in the transfer of the old company the \$5,500,000 that you had actually put in, in cash and accumulated profits, did not include a dollar for your patents or your good will or for the building up of your great business that was on a paying basis?

Mr. STRAUSS. The patents were included in the total.

Senator WILLIAMS. Mr. Chairman, I enter an exception to that question on general principles, and I hope it will be noted by the stenographer.

Senator SMOOT. I do not understand the Senator from Mississippi. On what ground does he do that? Mr. Strauss has just stated that in the original \$3,500,000 of stock——

Senator WILLIAMS. You have stated at least three facts that the witness had not stated.

Senator SMOOT. He had stated it. If the Senator had heard him and had paid attention to him he would have noticed that he did state it.

Senator WILLIAMS. I would rather the Senator would say "If I had heard him," because I would rather he should reflect upon my hearing than upon my attention to the witness's statement.

Senator SMOOT. I do not think the Senator did hear him.

Senator WILLIAMS. I both heard and was paying attention.

Senator SMOOT. Did I ask you if it was a fact that every dollar of the \$3,500,000 of stock that was issued by the old company was paid in money?

Mr. STRAUSS. You did.

Senator SMOOT. And you answered "yes"?

Mr. STRAUSS. I did.

Senator SMOOT. So, I say, the \$2,000,000 of accumulated profits made the total of the old company \$5,500,000?

Mr. STRAUSS. That is correct.

Senator SMOOT. And in the consolidation that \$5,500,000 was turned in to the new company for \$8,500,000?

Mr. STRAUSS. In stock.

Senator SMOOT. And that \$5,500,000 did not include anything for the good will of the business, the patents, or the business success that had attended it up to that time. But was the \$3,000,000 that was added for the patents and the good will and also the market value of the stock?

Senator WILLIAMS. Now let us have the answer.

Mr. STRAUSS. Why, I answer it "yes," in substance; and for other things besides.

Senator WILLIAMS. Ah!

Mr. STRAUSS. If I had supposed this inquiry was coming up I would have been able to tell you in a moment. For years the company had been running and the owners had not received a dollar of interest. They had been paid no dividends upon their first capital stock, because it was largely a small circle that were conducting and promoting and exploiting and spreading that company.

Senator SMOOT. A few stockholders?

Mr. STRAUSS. A few stockholders. We did not allow any dividends; we paid not a cent of dividends. After a number of years they did begin to pay, and they paid only what I have stated. Never, during their entire existence, have they paid more than that.

Now, were those men to be compensated when they sold out by taking par for their stock? It would have been ridiculous. It would have been more than ridiculous. It would have been insane for any of them to consider it. I, myself, would not have considered it.

Senator WILLIAMS. Just one question; I am afraid the committee misunderstood one of your answers.

Do I understand, and does the committee understand, that this \$3,000,000 of extra capitalization was all actual cash paid for stock?

Senator SMOOT. No.

Mr. STRAUSS. I hope the committee does not so understand it.

Senator WILLIAMS. I had hoped so, too.

Senator SMOOT. I do not so understand it.

Senator WILLIAMS. I was afraid the committee might so understand it.

Senator SMOOT. I do not so understand it.

Senator McCUMBER. Let me ask you a very simple question right on that point. The book value of the old stock was \$5,500,000?

Mr. STRAUSS. Approximately; yes.

Senator McCUMBER. And there had been such rapid accumulations that the stock, which represented really the \$5,500,000, with the accumulations was regarded by the holders of it as worth \$8,500,000?

Mr. STRAUSS. That is exactly the proposition.

Senator McCUMBER. In other words, they had reason from the past to suppose that in the future it would pay a reasonable return on \$8,500,000, and therefore they demanded \$8,500,000 for it?

Mr. STRAUSS. That is exactly it.

Senator McCUMBER. And you paid it, believing it was worth \$8,500,000?

Mr. STRAUSS. Yes; and it was.

Senator WILLIAMS. And, in your opinion, the \$5,500,000 ought to be worth in the market \$8,500,000?

Mr. STRAUSS. It is.

Senator WILLIAMS. Then, in your opinion, it was worth at that time \$8,500,000?

Mr. STRAUSS. Yes.

Senator WILLIAMS. Then, did you get the \$3,000,000 of difference in cash in order to establish that market value?

Mr. STRAUSS. We did not get the \$3,000,000 difference in cash.

Senator WILLIAMS. That is what I thought.

Senator SMOOT. You got it in stock, which you considered just as good as cash.

Senator WILLIAMS. But to whom did the stock cost any money? How was this \$3,000,000 of stock paid for?

Mr. STRAUSS. I have already answered that question. There was a valuation put by experts on the property of the company. They valued it.

Senator WILLIAMS. Yes; I understand.

Senator SMOOT. Let him answer the question, Senator.

Mr. STRAUSS. I do not know that you do understand. Your questions indicate that you do not.

Senator WILLIAMS. I beg your pardon. Perhaps I do not.

Mr. STRAUSS. There was a valuation by experts, and they reported that the property was worth \$8,500,000, plus this \$5,000,000 in cash. We sold it for \$8,500,000 in stock, plus \$5,000,000 in cash, and made the transfer of the property. We did not differentiate in the way you are doing now. As a banker you would not last more than a week if you did it. You would never get any business; and as a manufacturer you would not last over night.

Senator WILLIAMS. I expect that as a banker I would not last six hours, especially under your judgment of me as a banker.

Senator HEYBURN. Did all of the owners of common stock in the old company remain in the organization?

Mr. STRAUSS. All of them; yes. The old stockholders received this consideration pro rata.

Senator WILLIAMS. But the fact remains, does it not, that \$5,500,000 was turned into \$8,500,000, and the difference of \$3,000,000 was never paid in cash?

Mr. STRAUSS. The barren fact, but not the real fact.

Senator WILLIAM. That is the barren fact, at any rate?

Mr. STRAUSS. The barren fact, yes; but not the real fact.

Senator WILLIAMS. All right. I am glad to have that admission. Now, I want to ask you a few other questions in connection with this subject. Does the Underwood Typewriter Co. export any typewriters?

Mr. STRAUSS. I am going to reach that subject in a few moments, if I may go on with my statement.

Senator WILLIAMS. But I want to ask you now. Does the Underwood Typewriter Co. export any typewriters?

Mr. STRAUSS. Yes.

Senator WILLIAMS. About how many—how many dollars' worth, and to what countries?

Mr. STRAUSS. The figures are shown in the statistical reports, which I have not here. I have not those figures. But all the typewriter companies here that are large manufacturers, certainly the half dozen leading companies, export machines to Russia, to Austria, to Germany, to England, to France, to Spain, and to Italy.

Senator WILLIAMS. Has not Austria a protective tariff against the importation of typewriting machines?

Mr. STRAUSS. All of the countries on the Continent of Europe have duties.

Senator WILLIAMS. That means all except England. What is the import duty in Austria-Hungary against typewriters? Do you remember?

Mr. STRAUSS. I do not.

Senator WILLIAMS. Do you remember what it is in Russia?

Mr. STRAUSS (after inquiring of one of his associates). No; I do not know what they are, Senator.

Senator WILLIAMS. I need not interrogate you further about the other countries. You do not know?

Mr. STRAUSS. I do not.

Senator WILLIAMS. We can find out, of course. I have some figures before me which show that the United States exported to Europe, in round numbers, \$6,000,000 worth of typewriters in the last fiscal year—\$5,911,080.

Senator JOHNSON. That is 1910, is it, Senator?

Senator WILLIAMS. 1910; yes. According to the report here, from which I take these figures, we exported to the balance of North America nearly \$1,000,000—\$904,000, in round numbers; we exported to South America \$707,237; to Asia, in round numbers, a quarter of a million of dollars—\$227,827; to Oceania, which includes Australia, Tasmania, and New Zealand, four hundred and one thousand and some odd hundred dollars; to Africa, including South Africa, \$87,710.

We have heard a great deal lately about Germany as a country which, because of its having adopted a protective tariff, is rapidly catching up with everybody and surpassing them. I find from these figures that we exported to Germany, in round numbers, a million dollars' worth of typewriters—to be exact, \$987,983.

To England we exported, in round numbers, a little bit less than \$2,000,000 worth of typewriters; to be exact, \$1,877,560.

To France we exported \$884,619 worth of typewriters—somewhat over three-quarters of a million. Do you know whether or not France has a tariff against typewriters?

Mr. STRAUSS. It has.

Senator WILLIAMS. Do you know whether or not Germany has a tariff against typewriters?

Mr. STRAUSS. It has.

Senator WILLIAMS. Do you know whether or not Austria-Hungary has a tariff against typewriters?

Mr. STRAUSS. It has.

Senator WILLIAMS. Do you know whether or not Russia has?

Mr. STRAUSS. It has.

Senator WILLIAMS. Do you know whether or not Switzerland has?

Mr. STRAUSS. It has.

Senator WILLIAMS. Do you know whether or not Belgium has?

Mr. STRAUSS. It has.

Senator WILLIAMS. Substantially all of these countries in Continental Europe have tariffs, then?

Mr. STRAUSS. They have.

Senator WILLIAMS. All except Great Britain. So, if these figures are correct, we have exported to those countries, paying—or somebody paying, at any rate, whether we do or not—the freight and the tariff—

Mr. STRAUSS. And the insurance.

Senator WILLIAMS (continuing). And the insurance, and the selling expenses, and all the other expenses, and have sold, in competition with their home manufacturers, these several amounts?

Mr. STRAUSS. Why, they are insignificant. It is child's play.

Senator WILLIAMS. Oh! Is it?

Mr. STRAUSS. You are talking about a great business now.

Senator WILLIAMS. I know it.

Mr. STRAUSS. That amounts to nothing. Make the labor conditions the same in Germany and in the United States, and within three years we will sell one hundred times that gross total.

Senator WILLIAMS. You must make due allowance for me, you know, because I am not rich. It strikes me that an export to Europe of \$5,000,000 or \$6,000,000 worth of typewriters is quite a respectable amount. I could run a plantation indefinitely on that. Of course, I acknowledge I do not know what figures mean in connection with wealth, because I never was brought particularly in contact with it. But it strikes me that that is not absolutely inconsiderable. In order to see whether or not it is inconsiderable, what is the valuation of American imports of typewriters from Europe?

Mr. STRAUSS. Very small. There are only a few machines being made abroad.

Senator WILLIAMS. So that comparatively, whether absolutely or not, this \$6,000,000 represents a very large advantage that we are now

enjoying, notwithstanding continental tariff rates, in selling typewriters to Europe, as against what they enjoy in selling typewriters to us.

Now, let me ask you some questions about the balance of North America.

Mr. STRAUSS. I can not agree to that, if you mean to proceed upon the theory that I am acquiescing in your statement.

Senator WILLIAMS. No; I do not.

Mr. STRAUSS. I do not wish to be so understood.

Senator WILLIAMS. I do not. Then I will ask you the question over again.

Senator CLARK. The whole of it?

Senator WILLIAMS. If we export to continental Europe in round numbers \$6,000,000 worth of typewriters, and if we import from continental Europe a negligible quantity of typewriters, as I understood you to say, does not that mean that in the competitive business of manufacturing typewriters we are thus far, at any rate, enjoying an immense advantage as against the manufacturers of typewriters in Germany, France, Switzerland, Russia, Austria-Hungary, and the balance of Europe?

Mr. STRAUSS. I shall have to answer that question as I did before. The figures would indicate that barren result, but not really.

Senator WILLIAMS. Very well. Just put that down, Mr. Stenographer: "The figures would indicate that barren result, but not really." But the barren result is the difference between \$6,000,000 and substantially nothing?

Mr. STRAUSS. Not at all.

Senator WILLIAMS. What is it, then?

Mr. STRAUSS. You reach that conclusion because you are assuming the figures to mean what they say. They do not. To make this \$6,000,000 of trade abroad means that each one of these American typewriter companies, in its effort to enlarge the field for the dissemination of the product of American labor, is endeavoring to engage in a world competition on this American production. It means that they must maintain in each of these separate countries a separate distribution plant. All the incidental expenses of rent, overhead charges, selling expenses, insurance, interest, freightages, etc., should be deducted from this gross total. Then you will reach somewhere near the correct result.

Senator WILLIAMS. Very well. Now, let us follow that out. I understand you now to say that I have not deducted the rent and the insurance and the overhead charges in the export business. The rent and the insurance and the overhead charges would have to be deducted likewise in the import business, would they not?

Mr. STRAUSS. No.

Senator WILLIAMS. When we are importing typewriters from them?

Mr. STRAUSS. No.

Senator WILLIAMS. Why is it that when we are doing business with one another—the United States with Germany, for example—what we export to Germany has to have deducted from it the overhead charges and the rent and the insurance and the taxes, and what they export to us does not have to have the same things deducted from it?

Mr. STRAUSS. The answer is very simple: Because of the wise provision of the present tariff schedule, this American industry has been enabled to preserve itself in its integrity, and yield a small margin of profit to the producers of the article.

Senator WILLIAMS. Ah! Now, let us see if we can not reason together in brotherly love, and arrive somehow at a common conclusion. If I understand your last answer, it means that perhaps we have lost on our exports?

Mr. STRAUSS. Not at all.

Senator WILLIAMS. I understood you to state that owing to the wise provisions of the present tariff law, the typewriter manufacturers enjoyed the advantage of the American market?

Mr. STRAUSS. I did so state.

Senator WILLIAMS. Then, if "the advantage of the American market" meant anything with reference to the exportations, it meant that they could make in the American market a large enough profit to recoup themselves from possible losses arising from their sales in foreign markets. If what you said did not mean that, what did it mean?

Mr. STRAUSS. It meant this, very simply: That these typewriter concerns, as I have already shown (I think you were not in the room when I made the statement), engaged in this industry in America, employ between 27,000 and 28,000 American workmen, most of them male workmen. Not 15 per cent of it is female labor. Most of it is skilled labor. They pay the highest prices paid in any factories in the United States. Their average is between three and three and one-half dollars per day.

Senator WILLIAMS. Yes. Now, then—

Mr. STRAUSS. Pardon me; I have not reached the answer yet.

Senator WILLIAMS. I beg your pardon.

Mr. STRAUSS. This is merely preliminary, because I have already mentioned these things of record.

In the productivity of these factories—and there are 15 of them engaged in producing typewriting machines—they are seeking a market beyond the confines of the American market; and they go abroad and establish agencies. Those agencies live abroad for years, year in and year out; and I can give you illustrations of agencies 10 years old that have yet to make the first dollar. But why do they do it? They do it because they have the product made here, and they are introducing an American product, and making the foreigners acquainted with it, and endeavoring to push the article upon its reputation.

Senator WILLIAMS. Is that a full explanation?

Mr. STRAUSS. Reasonably so.

Senator WILLIAMS. Very well. I do not mean to say that it is not reasonably so, of course, because you are making the explanation. I should not be sufficiently discourteous to say that it is not reasonable.

You say you are introducing this article abroad, and that these people have been over there for a long time, and a lot of them have made nothing. They have either made nothing, or come off even, or lost something—one or the other. That is true, is it not?

Mr. STRAUSS. One or the other; surely.

Senator WILLIAMS. The foreign business has done one or the other, has it not?

Mr. STRAUSS. One or the other, surely.

Senator WILLIAMS. Very well. If it has made anything then it has made it in competition with the foreign manufacturer, has it not?

Mr. STRAUSS. It has.

Senator WILLIAMS. If it has come off even, it is because conditions between you and the foreign manufacturer, after you have paid freight and tariff rates in his market, were about equal? Is not that true?

Mr. STRAUSS. Not at all. You give no advantage whatever to the product. I am sufficiently familiar with the details of this business, aside from any patriotism, to know that the American product—

Senator WILLIAMS. I neglected one little phrase which will reconcile you to the statement I made. If you come off even in the foreign market, that means either that you were able to compete with him in his home market with an equally good machine, notwithstanding his tariff and notwithstanding his freight rates, or else that you were prepared to furnish him a sufficiently better machine at a higher price to induce him to take your machine anyhow?

Mr. STRAUSS. It must be one or the other.

Senator WILLIAMS. Yes; it must be one or the other.

Mr. STRAUSS. As a matter of fact it is the latter.

Senator WILLIAMS. All right. Now, we have got to that. Suppose, as a third proposition, that he could make a better machine at the same price and furnish it to his customers in his market, or else that he could make a machine at a higher price that was better at that price than your machine was. Then he would have sold his customers, would he not?

Mr. STRAUSS. I can not indulge that assumption, because you are wrong in fact.

Senator WILLIAMS. But, I say, suppose that were the fact.

Mr. STRAUSS. I can not suppose a fact that is opposed to my experience.

Senator WILLIAMS. All right. Then you have supposed the other two cases and you decline to suppose this case?

Mr. STRAUSS. I refuse to indulge in a speculation that I know is not supported by facts.

Senator WILLIAMS. You have exported to Europe, in round numbers, \$6,000,000 worth of typewriters. How much of that has the Underwood Typewriter Co. exported?

Mr. STRAUSS. I can not answer in regard to that detail.

Senator WILLIAMS. I do not want you to tell anything you can not tell. I do not want you to guess, and I do not want to worry you at all. I am trying to arrive at the truth. But according to these figures the entire American people have exported \$6,000,000 worth of typewriters to Europe, and they have exported to us—or we have imported from them—a negligible quantity.

Leaving out the case that you do not want to suppose, and simply supposing the other two cases, if we did that we must have furnished either the same machine at a lower price or a superior machine at a better price?

Mr. STRAUSS. You certainly have hit it the last time; and that is what we are doing.

Senator WILLIAMS. Yes; that is exactly what I was trying to hit all the time. If you can go into the German or French market and

furnish an equal machine at a less price or a superior machine at a better price, what protection do you need in the American market, where, instead of your paying ocean freight charges and import duties there, they must pay ocean charges and railroad freight charges and other things here?

Mr. STRAUSS. I can answer that question very readily if you wish me to.

Senator WILLIAMS. Yes; I do. Of course I do.

Mr. STRAUSS. In the first place, the business in these countries is insignificant. With an industry engaging 27,000 or 28,000 men, with an invested capital of \$55,000,000, we could not survive a year upon a business scaled down to this foreign business.

Senator WILLIAMS. I understand that.

Mr. STRAUSS. We could not survive a year. In Germany, since they developed their manufactures in this art—and they have only developed within the last seven or eight years—we have been gradually going downhill. It has been a regular scale from up down, like a toboggan slide. In France we have not yet reached that point. Why? Because they are making only one machine, and it is their first experiment. In England we have not yet reached that point. Why? Because they are making only one machine, and that is their first experiment.

Senator WILLIAMS. Is each one of them making a separate machine?

Mr. STRAUSS. Yes, sir.

Senator WILLIAMS. Or are all of them making the same?

Mr. STRAUSS. Each is making a separate machine.

Senator WILLIAMS. And each separate machine is threatening to outdo yours?

Mr. STRAUSS. They not only threaten it, but they do it.

Senator WILLIAMS. I hope you do not think I am stupid enough to imagine that the typewriter industry of America could live upon the export business. Of course I never meant to say that. I am merely telling you how much we exported in comparison with how much we imported, in order to show the probable difference in the cost of total production, as measured by the price at which the two countries sold.

Now, let us go to the real gist of the matter. Your fear is that the foreigner may take possession of the American market, is it not?

Mr. STRAUSS. It is.

Senator WILLIAMS. What is the present import duty upon typewriters?

Mr. STRAUSS. Thirty per cent.

Senator WILLIAMS. Has or has not the foreigner taken possession of the American market?

Mr. STRAUSS. He certainly has not.

Senator WILLIAMS. And you have exported to him \$6,000,000, while he has imported to you less than \$200,000?

Mr. STRAUSS. Senator, will you allow me to answer that?

Senator WILLIAMS. Is not that true?

Mr. STRAUSS. No; it is not, if you propose to indulge the innuendo—

Senator WILLIAMS. Is it not true as a matter of figures?

Mr. STRAUSS. Yes; it is true as a matter of barren figures.

Senator WILLIAMS. As a matter of figures, with a 30 per cent import duty against typewriters coming into the United States, we have exported to them and sold in their markets, against their manufacturers, \$6,000,000 worth of typewriters? In other words, adding to the price which the German and French consumer must pay us railroad freights, ocean freights, German and French tariff charges, we have still undersold or else outsold them in their own market? It does not make any difference which it was. "Undersold" means that you have sold an equal machine at a less price, and "outsold" means that you have sold a superior machine at a better price.

As I say, we have either undersold them or outsold them in their own market. During that time they have not taken possession of our market, but we have, comparatively speaking, taken possession of their market?

Mr. STRAUSS. Give them time.

Senator WILLIAMS. Just answer this question, please: Why do you think that with typewriters on the free list, American manufactures, who hitherto have been able to export machines and pay the freight rate, or else make the consumer pay the freight rate, it makes no difference which, and pay the foreign tariff, or else make the foreign consumer pay it—it makes no difference which—and in the foreign market have either undersold or outsold the foreign manufacturer, are not going to be able to continue to do so? Why do you imagine that just because what is known as the Underwood bill is pending in Congress that condition is going to change in the next three months or six months or six years?

Mr. STRAUSS. Without admitting the assumptions of your question, I believe I understand it, and will make an effort to answer it; and I am going to give you a concrete illustration that will appeal to your sense of fairness to follow me.

The German market is the development of five or six years. We are dealing with a purely American product, the result of a purely American invention. When the large American typewriter companies went to Germany and France, which were the first foreign countries to which they went, there were no typewriter producers there at all. This is an attractive office appliance, and it took there the same as it took in America.

Senator WILLIAMS. How long ago was it that you first began to export machines to Germany?

Mr. STRAUSS. I do not know.

Senator WILLIAMS. The record will show that.

Mr. STRAUSS. Will you give me an opportunity to answer your question?

Senator WILLIAMS. I think it was 20 years ago.

Mr. STRAUSS. I am sure it was not.

Senator WILLIAMS. Perhaps not. Perhaps I am wrong.

Mr. STRAUSS. The machines took in Germany as they took in America. After the public became familiar with their use in offices they became a necessity; and these American companies, having the only machines to sell, acquired a considerable following. Thereupon, the Germans, some five or six years ago, deliberately took our American machines and copied them. I can give you the names of the machines which are now being made in Germany that are exact

copies of the American model, and are simply called by different names. In the five or six years that the Germans have been engaged in the manufacture of typewriters they have practically undermined the American market; and they have done it by reason of their cheaper materials and their cheaper labor.

If you want a concrete illustration, take the book you have in your hand and refer to the South American imports of 1911 and you will see that the introduction, two years ago, of these German machines, new as they are, reduced the American importations into South America 42 per cent in 1911.

Senator WILLIAMS. Right there, in reply to that statement, I read that we exported to Germany in 1906 \$813,256 worth of typewriters; that that importation increased in 1907 to \$1,197,178; that it remained substantially the same in 1908, at \$1,023,440; that it increased in 1909 to \$1,038,467; that it decreased in 1910—the same tariff conditions existing in Germany and here during those two years—to \$987,983, which is a reduction of only \$51,000, whereas in the year immediately prior to that they increased more than that; and I understand that this is a period of general depression in all sorts of steel industries. If so, that slight decrease of \$51,000—

Mr. STRAUSS. This is not a steel product, Senator, and there is no decrease in this business.

Senator WILLIAMS. What I mean is that all the people who have been before us for the last three or four days have been telling us that from the time a Democratic House was elected to agitate the tariff there has been a decrease in manufacturing business that is subject to tariff regulation.

Mr. STRAUSS. It has not affected the typewriter business.

Senator WILLIAMS. I am glad to hear that; but I find that these exports have increased from year to year. So that your testimony a moment ago about Germany's gaining so rapidly and so dangerously is not reflected in the German home market, to which we have exported our typewriters.

Mr. STRAUSS. I think it is, substantially.

Senator WILLIAMS. There are the figures.

Mr. STRAUSS. Those figures showing an insignificant increase simply mean this: That the Germans step in, and they have to have—

Senator WILLIAMS. You do yourself an injustice; they show a slight decrease.

Mr. STRAUSS. I mean the figures where they show an increase—an insignificant one—for an entire year's growth. When one considers the growth of population in Germany, generally speaking, and when one considers its tremendously rapid advance as a commercial nation, and that the use of the typewriter there has gotten to be as large as it is in the most highly developed sections of our own country, I say this: That as the German was enabled to secure a market for his product, which was perhaps two or three years ago, the American sales immediately began to fall off. There was a reduction last year; there will be a greater reduction in 1911; and there will be a still greater reduction in 1912.

Senator WILLIAMS. But we must concede that that is prophecy, must we not?

Mr. STRAUSS. No.

Senator WILLIAMS. Statements of what is going to happen in the future are not prophecy?

Mr. STRAUSS. What is happening this minute.

Senator WILLIAMS. What is happening this minute is a decrease of fifty-one thousand for last year, and an increase of eighty-odd thousand for last year over the year before. You must confess, reasoning along in brotherly love, that when you make a statement about what is going to happen in a year, or some time in the future, it is prophecy.

Mr. STRAUSS. Your appeal to my brotherly love would lead me to an illogical conclusion, which I must decline.

Senator WILLIAMS. Do you not confess that anything you say about the future is prophecy?

Mr. STRAUSS. No. We judge the future by the past, if the past lends itself in experience sufficiently to judge the future.

Senator WILLIAMS. I am a cotton planter, and I have always made an immense difference between spots and futures. I am interrogating you about spots. When we come to futures, I rather think futures must be prophecy, more or less.

Mr. STRAUSS. It is undoubtedly true; but when we are dealing with fixed facts, we can indulge in not speculation, but judgment of the future. I think it would be commercially very unfortunate if we could look only into the afternoon of the same day we are doing business. We must, in our large affairs, depend on our capacity to look into next year, and if possible the year after.

Senator WILLIAMS. We must predict; yes.

Mr. STRAUSS. I have here in my hand a letter which reached me while I have been in Washington waiting for this hearing by the merest accident, a letter of the manager of one of the large companies in Germany, dated January 31, at Frankfort, in which he says that every one of the American machines is doing less business.

Senator WILLIAMS. Doing less business where?

Mr. STRAUSS. This speaks of Germany generally. I do not care to put these names of record, because that would perhaps be unfortunate. The competitors of these companies I might name might use them. But he mentions five of the leading companies and says that their agents report no advance in the business; that one of the large companies has had to give up its agency, or did give it up; and that the company has undertaken to do its business itself; that in one section of Germany a new machine has made its appearance—he describes it as a first-class German machine—and that all companies will have hard work to meet this new competition. That is a new machine I did not know anything about until I came here to Washington and found this letter here waiting for me. The fact about the matter is—and anybody can see it who is willing to look at it—that the Germans are good mimics. They are taking advantage of American experience in the history of this production. They do not have to go through any of the infantile complaints. They do not have to cast aside millions upon millions of capital that have been wasted upon the advancement of this industry in America.

Senator WILLIAMS. Leaving out the German market for a minute—

Mr. STRAUSS. That is the competition we fear.

Senator WILLIAMS. Where the Germans meet us in competition, chiefly, is in South America, is it not?

Mr. STRAUSS. They do; yes.

Senator WILLIAMS. And you have said that the Germans were gaining upon us immensely in South America. I do not want to call your attention to any error on your part, but I want to call your attention to an error upon the part of the report of the Bureau of Commerce and Navigation, Department of the Interior, of the United States for the year 1910. They say that for the year 1908 we exported to Argentina \$143,319 worth of typewriting machines, and that for the year 1909 we increased that to \$215,621 worth, and that for the year 1910 we increased that still further to \$313,400. They state that for Bolivia we exported, during the year 1909, \$2,815 worth; that for the year 1910 we increased that to \$4,822 worth. They state that, for Brazil, we exported, in 1906, \$60,445 worth; for 1907, \$69,167 worth; for 1908, an increase to \$116,539 worth; for 1909, a decrease to \$112,484 worth; but, for 1910, an increase over all previous years, the exportation amounting to \$181,205. Now, taking the west coast of South America, they report that, for 1909, we exported \$60,345 worth of typewriters; for 1910 that amount increased to \$71,573, which was an increase of a little bit over one-sixth. In other words, that our exportations to South America, both upon the Atlantic and upon the Pacific sides, have increased instead of being in a state of decreasing, up to the report of 1910, the last report we have had, they were increasing all the time. The lesser countries I do not read you; but the same thing is true of Ecuador, the same thing is true of British Guiana, the same is true of Dutch Guiana; but they export such negligible quantities that they are not worth while mentioning.

Mr. STRAUSS. I have no reason to doubt the accuracy of those figures, nor do they disagree with what I have stated to the committee. I have told you that the German industry was not fully developed until about four years ago—at most five years ago. Before that time they were in it experimentally. They commenced first supplying their own market, and then did what every other business concern would do—they tried to spread their market and keep their works busy. So they commenced to reach South America in 1910, and I have given you the figures for 1911.

Senator WILLIAMS. Where did you get the figures for 1911?

Mr. STRAUSS. By collection from our clients, to whom we sent for the figures.

Senator WILLIAMS. The Government has not yet published them, so far as I know.

Mr. STRAUSS. I do not suppose they have. The exports have been reduced 42 per cent.

Senator WILLIAMS. You get your figures for 1911 from the people who are interested in your side of this controversy?

Mr. STRAUSS. Nevertheless, perhaps, who would be capable of telling me the truth about it.

Senator WILLIAMS. Possibly so. Still, they would have a bias that way.

Mr. STRAUSS. I do not think so, when figures speak.

Senator WILLIAMS. Possibly not.

The CHAIRMAN. Senator Williams, Mr. Strauss wants to return to New York to-night, and if we could let him go on with his statement I am sure it would be doing him a favor.

Senator WILLIAMS. I did not know that. I beg your pardon.

The CHAIRMAN. Let him go on with any additional statement he wishes to make.

Mr. STRAUSS. I will go on rapidly, then.

Senator WILLIAMS. I shall not interrupt you any more.

Mr. STRAUSS. The typewriter is essentially of a delicate construction, and to insure accuracy of performance of the machine it is necessary to attain perfection in manufacturing and assembling the various parts. These companies pay from \$3 to \$3.50 per nine-hour day for the skilled labor and for their unskilled labor an average of \$2.25. In round figures, they employ 85 per cent males and 15 per cent females. The combined annual expense for labor is approximately \$9,000,000, and 90 per cent of the materials which enter into the manufacture are obtained in this country.

I have already stated that the profit averages from \$10 to \$12 per machine, and that is only to the successful companies. In fact, less than one-half of the total capital invested in this enterprise pays any return whatever, and only two companies, the Underwood Typewriter Co. and the Remington Typewriter Co., pay regular dividends, and the latter only on its preferred stock—nothing on its common stock.

Senator WILLIAMS. Do you know whether the typewriter companies have added anything to their surplus?

Mr. STRAUSS. I do not. I have my suspicions about that, but that would not be fact. The Underwood Typewriter Co. is the only company which, in fact, has paid on both classes of its stock, and on the common stock never to exceed 4 per cent; and the Underwood Co., I think, is pretty generally conceded to be the most successful of the companies in this line.

Until recent years the typewriter industries in this country have supplied the world, with little or no competition from foreign sources. Within the past five or six years, however, the German manufacturers have been forging to the front, with the result that in them we now have a keen competition in the European, Asiatic, and South American markets. They are now manufacturing six high-grade machines. Having the advantage over us in both cheaper labor and cheaper materials, they are enabled to undersell us in foreign markets, and hence the foreign trade we now maintain in competition with German machines is acquired on the basis of reputation and superiority of quality. While we consider our machines superior in every way to the German make, still we must admit that they are progressing rapidly, and that it is only a matter of time when they will approach the same degree of perfection, for the German is a good mimic, and in this particular industry he is applying strictly American methods. The German does not have to surmount the difficulties which our early manufacturers encountered, for all of those problems have been solved for him by the latter, at the expense of millions of dollars to the American experimenter.

Nor is the German handicapped by patents, for the patents on the basic principles of the typewriter have now expired. Further-

more, our largest German competitor, the Ideal Co., is an American machine, manufactured in Germany because of the favorable conditions there prevailing respecting the cost of labor and materials. For the same reason the Swift, ostensibly an English machine, is manufactured in Germany by the makers of the Stoewer. In fact, the Swift is the Stoewer with a different name, and the Stoewer, in turn, is an imitation of the American Underwood, from which it is deliberately copied. At all events, we do know that the Germans have cut heavily into our English and South American trade despite the superiority of our article, from which it may well be inferred that our superior quality hardly offsets the difference in cost. If typewriters are placed upon the free list, an invasion of this field by the typewriter industries of Germany is absolutely certain. That such an invasion will menace the typewriter industries of this country is demonstrable from a comparison of the respective costs of production in Germany and in this country.

While cast iron and steel are the chief products used in the manufacture of the typewriter, other manufactured materials enter into its make up. For instance, in the Underwood typewriter, the key tops upon which the letters of the keys are printed are made of paper, and these are covered with plate glass, which is held in place by a rim of German silver. The cast-iron frame is japanned and decorated with decalcomanias backed with metal leaf. All the steel parts are first copperplated and then nickelplated. The scales are made of celluloid, and the outer casing of the platen, or cylinder, of hard rubber. The core of the platen consists of whitewood. The carriage of the typewriter is drawn by a spring band made of cotton tape, and the typewriter ribbon is made of long staple cotton. The steel used is plate steel, steel wire, cold-rolled steel, and steel anti-friction balls for ball bearing. The manufactured materials used are of domestic make, with the exception of plate glass, German silver, decalcomanias, German piano wire, and long staple cotton for the typewriter ribbons. The plate glass is imported from France, and the German silver, decalcomanias, and steel piano wire from Germany, because the domestic article is of inferior quality. Egyptian long staple cotton is used, as the only American long staple cotton is sea-island cotton, unfit for use for this purpose.

Senator WILLIAMS. What purpose is that?

Mr. STRAUSS. This is the long cotton.

Senator WILLIAMS. I say, but for what purpose? You say it is not useful for this special purpose; what purpose is it?

Mr. STRAUSS. The carriage of the typewriter is drawn by a spring band made of cotton tape, and it has to be fibrous and elastic and at the same time tough.

Senator WILLIAMS. You are correct about that.

Mr. STRAUSS. The typewriter ribbon also is made of that.

Senator WILLIAMS. I thought you had not mentioned the fact that the Delta long-staple cotton was of equal staple to the Egyptian. But the Egyptian can be used for that purpose and ours can not, because they are off color and ours are completely white.

Mr. STRAUSS. We do use the Egyptian exclusively, after having experimented with the American.

I was going to say that all of these materials I have mentioned as coming from foreign countries are dutiable under the act of 1909 or they are included in the proposed bill which we are now discussing, the duties in each case being significant. I can furnish the committee with a list of those; I will not bother to read them.

The CHAIRMAN. You may file any additional statement you please. The material referred to by Mr. Strauss is as follows:

Material.	Act of—	Section.	Amount of duty.
Glass.....	1909.....	102	10 cents per square foot.
Japan.....	1909.....	51	35 per cent ad valorem.
Decalcomanias backed with metal leaf.....	1909.....	412	65 cents per pound.
Nickel for nickel plating.....	1909.....	185	35 per cent ad valorem.
Copper.....	1909.....	9	$\frac{1}{2}$ of 1 per cent per pound.
Celluloid.....	1909.....	17	65 cents per pound and 80 per cent ad valorem.
Rubber.....	1909.....	463	35 per cent ad valorem.
German silver.....	H. R. 18642.....	43	15 per cent ad valorem. ¹
Cotton tape.....	1909.....	349	60 per cent ad valorem.
Whitewood.....	1909.....	201	50 cents per M feet, board measure.
Cast iron, including malleable castings.....	H. R. 18642.....	23	10 per cent ad valorem.
Paper cardboard.....	1909.....	415	35 per cent ad valorem.
Plate steel.....	H. R. 18642.....	4	15 per cent ad valorem.
Steel wire.....	do.....	13	20 per cent ad valorem.
Cold-rolled steel.....	do.....	8	Do.
Antifriction steel balls.....	do.....	5	25 per cent ad valorem.
Forgings.....	do.....	5	15 per cent ad valorem.

¹ Act of 1909 fixed this duty at 25 per cent. See section 174.

MR. STRAUSS. Thus this bill proposes to place typewriters on the free list, while its other provisions and those of the existing tariff act which it does not amend retain a duty upon the manufactured materials out of which the typewriter is constructed. If this act becomes a law it accomplishes a discrimination against the typewriter in favor of other American industries. This is unjust and wrong in principle, for it is in effect class legislation, legalizing the collection of tribute by one set of citizens from another, using the same materials but in different industries. I need not digress on that. You would make it free in case the typewriter company bought it and used it in its finished product, whereas somebody else would buy it and that man would be protected, because he might add it to his price.

Senator WILLIAMS. Is your objection there principally the reduction of your duty or the retention of the duty on the thing you buy?

Mr. STRAUSS. I have not gone into that. The retention of the duty would enable us to go on as we have gone on.

Senator WILLIAMS. It is both?

Mr. STRAUSS. I say this, that if you take the duty off steel, and if you take the duty off the other things then place us on the free list.

Senator WILLIAMS. Then you could compete, could you not?

Mr. STRAUSS. We would make an effort. But if you keep the raw materials of which our product is made on the dutiable list, and make us pay for those, and then put our finished product on the free list—

Senator WILLIAMS. I will say very frankly to you that wherever any bill puts a man's product on the free list and makes him pay the

duty on the things that he has to buy in order to make his product, it is not fair, it is unjust.

Mr. STRAUSS. It is more than unjust; it is ruinous.

Senator WILLIAMS. It may or may not be; but it is unjust, at any rate.

Mr. STRAUSS. I wish to make as plain and absolute as possible that the typewriter industry of America does not dispose of its product in European countries below the figure which it receives for the same in this country. I have here catalogues of European agencies, written in the various languages of those countries, which show that the product in those foreign countries is the American price plus the freight, duty, and the insurance in that foreign port, without exception. There is not a single company that sells abroad for less money than here. Nor have I been able to find a single company that does not sell its product for more money abroad than it gets here, the difference being just those things I have mentioned, including the duty. Here are the printed price lists of Russia, of France, of Germany, of Spain, and of Italy, each one of them with the printed price list in francs or marks or kopeks, or whatever the national currency is, so that you can easily determine the cost of the machine abroad. Like our \$105 machine in this country, the machine in France would be 750 francs, or, in other words, about \$115 of our money. And so it goes through the list. The reason for it is the one cited in the beginning, that we could not sell it for less and survive. The goods the agencies do sell they sell upon the reputation of the article itself, made for many, many years of the closest, most industrious kind of commercial application and the expenditure of great sums of money, according to our American system, as we understand it, in advertising and exploiting the merits of a good article. That is what has given this typewriter business—the American typewriter business—its foreign vogue abroad. That, Senator Williams, is what explains the fact that, notwithstanding the growing foreign competition, there always will be some people who will pay a high price for what they consider the best article, which is precisely as you will go to Tiffany's to buy a watch rather than go to Massachusetts and buy a Waterbury.

Senator WILLIAMS. And that is in tribute to American intelligence, is it not?

Mr. STRAUSS. It is American intelligence and American money. The only difficulty is that it is limited in its scope. Your field of usefulness is contracted precisely as the number of people who engage in that kind of commercial intelligence is naturally limited.

Senator WILLIAMS. We have been keeping ahead of the list thus far, have we not?

Mr. STRAUSS. We shall, so long as we are enabled.

Senator WILLIAMS. So long as we are Americans. Is not the actual truth this, that when a fellow a willing to put 3,000 miles between him and home and all of his former environment and all of his former heredity and go into an entirely new country—strike out for himself—that he is a tolerably venturesome sort of fellow, and a very inventive sort of fellow, with a great deal of courage, and likely to beget children like himself; and does not that account for the way we Americans, derived from every part of Europe, have kept in the advance industrially and otherwise, because we started with the courage, we started with the venturesomeness, we started

with the inventiveness, and, all other things being equal, a father is likely to beget a child like himself, and we are keeping it up?

Mr. STRAUSS. May I add to those qualities, so admirably stated, two additional ones—one natural and the other acquired. We have grit, which means that we do not know what failure means until we can not longer disregard its signs; and we have a speculative spirit, which means that we are willing to put up millions of dollars to work out successfully an idea, if success is possible. Both those things apply to the typewriter industry. We have to-day 55,000,000—

Senator WILLIAMS. That applies to all American industries, does it not?

Mr. STRAUSS. More particularly to typewriters, because I can show you—and I can give you a synopsis of the amounts—that the fifty-five millions represented in the capitalization of this business means one hundred million. It means that forty or fifty millions have gone by the way, in receiverships, and in failures, where they could no longer hold out. And the present machines that are well known in this market are the machines that are survived.

Senator WILLIAMS. That is not true of your business alone, is it? That is true of the cotton planters.

Mr. STRAUSS. It is peculiarly so of our business.

Senator WILLIAMS. That is true of the wheat-field people in Dakota; it is true of merchants everywhere—the survival of the fittest.

Mr. STRAUSS. Yes; to a very large extent.

Senator WILLIAMS. And the extinction of the unfit. I believe the statistics show that ninety-odd per cent of people who enter into merchandising in the United States fail, the other 8 or 9 per cent succeed. And still the merchandising business is making a profit. I know that in my own business, as a cotton planter, at least 7 men out of 10 fail; the other 3 win. So that is not peculiar to your particular business.

Mr. STRAUSS. We, of course, do not claim in that respect to be unique, but it is an extraordinary incident to this business. In the first place, it is protected by patents, and any man going into it—

Senator WILLIAMS. By the way, I want to ask you a question right there for information, because I do not know, and I think it will be very important to the committee. In how far do the American patents prevail abroad? Now, suppose you are protected in the home market by a patent in connection with the typewriter; how far have you secured the benefit of that patent in Germany or France or England?

Mr. STRAUSS. They do not protect to any great extent. Most of the countries have inaugurated legislation intended for the consumption of home labor, by which they compel the owner of an American patent to manufacture in that country within a certain period of time. In England it is two years; in Canada it is two years.

Senator WILLIAMS. Can you go to that Government and file an application for a patent and get it, even if you are an American?

Mr. STRAUSS. Not unless you expatriate yourself.

Senator WILLIAMS. Not unless you expatriate yourself?

Mr. STRAUSS. No.

Senator WILLIAMS. Is that the rule everywhere, or just in Austria-Hungary and Germany?

Mr. STRAUSS. No; I think that is the rule everywhere, if it is an American patent.

Senator WILLIAMS. I do not understand that is the rule in England; perhaps you do. Is it the rule in England?

Mr. STRAUSS. I have no doubt it is.

Senator WILLIAMS. You are representing which particular company?

Mr. STRAUSS. I would rather show you the list.

Senator WILLIAMS. I just wanted one.

Mr. STRAUSS. Let us call it Underwood Typewriter Co.

Senator WILLIAMS. Let us call it the Underwood. In how far are the Underwood patents in America also patents in Great Britain?

Mr. STRAUSS. I can not say, positively. I can speak only of the general rule as I understand it. My recollection of the British patent law is that it has a two-year limitation, which also extends to Canada.

Senator WILLIAMS. I know; but I want to find out this: Do you work under the same patents in Great Britain under which you work in America?

Mr. STRAUSS. We manufacture only in America. We do not manufacture any other place.

Senator WILLIAMS. Oh, I see.

Mr. STRAUSS. We manufacture only here, and ship our goods abroad.

Senator WILLIAMS. You have no manufacturing plant there?

Mr. STRAUSS. Not at all.

Senator WILLIAMS. Did you take out your patents in Great Britain while you were taking them out in America?

Mr. STRAUSS. Within the proper time we did; yes.

Senator WILLIAMS. Did you take out your patents in France while you were taking them out in America?

Mr. STRAUSS. We did.

Senator WILLIAMS. Did you take out your patents in Germany while you were taking them out in America?

Mr. STRAUSS. Within the proper time.

Senator WILLIAMS. I understand; subject to the local laws and regulations, of course?

Mr. STRAUSS. Yes.

Senator WILLIAMS. Did you take out your patents in Belgium while you were taking them out in America?

Mr. STRAUSS. I do not remember those details; but I think we took them out in all foreign countries where that was permissible.

Senator WILLIAMS. As far as you could?

Mr. STRAUSS. Yes.

Senator WILLIAMS. You took care of that?

Mr. STRAUSS. Yes.

Senator WILLIAMS. So that, in so far as foreign countries' patent laws permitted, you patented your several processes there while you were patenting them here?

Mr. STRAUSS. We did.

Senator WILLIAMS. That is what I want to get.

Mr. STRAUSS. We did.

The CHAIRMAN. Go on, Mr. Strauss, and finish your remarks. We will have to adjourn in a short time.

Mr. STRAUSS. In regard to this question of selling in Europe at higher figures than here, I say that most of the typewriter companies employ their own selling force in the United States, and those retail their own machines. A goodly number of them maintain foreign offices, and in these instances the machines are retailed at a price higher than that at which they are sold in this country, depending on the duties payable, and the cost of transportation and insurance. In some countries the typewriter industries do not maintain foreign offices, and in those instances the machines are sold to dealers at the same price at which they are sold to American dealers in the same position, the schedule being precisely the same.

Comparing the respective costs of production in Germany and the United States, we find that the German tariff upon the manufacturing materials entering into the construction of the typewriter are uniformly lower than in this country. Those materials which I have already described as coming from Belgium, England, and France, the German gets and pays less duty on when he gets them than we have to pay on them here. I also have that list here; but I shall not bother reading it.

Moreover, the typewriter can be produced more cheaply on the German market, for not only is the raw material cheaper, but labor used in transforming the raw material into the manufactured article is very considerably less.

In this connection, it must be remembered that the typewriter industry uses only manufactured materials. It does not produce the typewriter direct from the raw material. Investigation discloses that the manufacturers pay for all kinds of labor, skilled and unskilled, about one-half what is paid for American labor. We take this from the report of Godfrey L. Carden, made in 1909, which has been referred to in these hearings frequently, a report made to the Department of Commerce and Labor, that in the Chemnitz district of Germany, where at least one of the German typewriters is made, a very well-known one at that, the average wages for skilled labor are 50 pfennig per hour, or approximately 84 cents for a 9-hour day, or \$1.20 for a 10-hour day, which they are required to work; against what we pay in America, from \$3 to \$3.50. They require a 10-hour day over there. This same report is responsible for the statement that in this same district some of the highest skilled laborers receive as low as 36 pfennig per hour, or 72 to 80 cents for a 9-hour day. According to this same record, the works of De Fries & Co., at Dusseldorf, pay their skilled help 65 to 68 pfennig per hour, or approximately \$1.71 for a nine-hour day. The amount paid to unskilled labor is, of course, considerably lower.

When we take into consideration the fact that between 70 and 80 per cent of the cost of manufacturing a typewriter is the labor employed—it is nearer 80 per cent—we can readily understand that the American manufacturer is at a great disadvantage when called upon to compete with the German manufacturer.

Senator WILLIAMS. Right there—because this is rather an important thing—you just stated that about 80 or 90 per cent was labor. I would like to have the stenographer enter an agreement upon your

part to furnish an analysis of the cost of production showing that result, so that we may judge as to whether you arrive at the right conclusion or not.

Mr. STRAUSS. You mean as to the proportion of labor?

Senator WILLIAMS. Yes; the proportion that labor cost furnishes of the total cost of production of your particular article. So I shall ask you to give to the stenographer after you get home—you could not do it now, of course—such data, and enter it right here, an analysis of the cost of production, showing that this labor cost forms that percentage.

Mr. STRAUSS. Showing the percentage?

Senator WILLIAMS. So that I and others may draw our own conclusions as to whether you reach a correct result or not.

Mr. STRAUSS. Showing the percentage?

Senator WILLIAMS. You just stated it was 80 per cent.

Mr. STRAUSS. It is between 70 and 80, and it is nearer 80 than 70.

Senator WILLIAMS. I want you to furnish an analysis showing that that conclusion of yours is correct.

Mr. STRAUSS. Yes, sir; it has been said that American labor is more productive, and that this makes up the difference in cost. That would make an American equal to about two Germans. Considering that they send their men over here to learn the art, and use the same machinery as we do—in fact, they produce much of it from American models and use the same methods, which they also learn here—I fear that that statement must be denounced as incredible. The Germans are people who dispose of their high-priced machines in the South American market at wholesale for from \$43 to \$47. It is impossible for the American manufacturers of the same quality of machines to sell their product at less than from \$55 to \$60 per machine.

Senator WILLIAMS. In that connection, how do you account for our exportations to the South American market, to Argentina, of a third of a million, in round numbers; to Brazil, a quarter of a million, in round numbers; and to other South American countries in proportionate amounts. How do you account for those quantities, and for the fact that during the last five years our exportations to those countries have been increasing?

Mr. STRAUSS. This business is very progressive, and the reports that you read there of five years ago are now ancient history.

Senator WILLIAMS. This is not five years ago.

Mr. STRAUSS. Well, four years ago.

Senator WILLIAMS. Last year.

Mr. STRAUSS. Three years ago is ancient history in this art.

Senator WILLIAMS. This was last year; the last year quoted is last year—1910.

Mr. STRAUSS. The figures I speak of—

Senator WILLIAMS. 1907, 1908, 1909, and 1910.

Mr. STRAUSS. The figures I speak of here are 1911.

Senator WILLIAMS. Where do you get those figures?

Mr. STRAUSS. I get them from our own people.

Senator WILLIAMS. The United States Government has not yet reported those figures, I think; or if they have, I have not got them. So you get those figures from the people who are interested?

Mr. STRAUSS. What I am saying to you now, Senator, is that the present condition of the South American market—I do not know what it was in 1910 or 1909—

Senator WILLIAMS. I am not questioning that; I am merely asking you whence you get these figures; and you tell me you get them from your own people in your own trade?

Mr. STRAUSS. Yes.

Senator WILLIAMS. They are not official; they are not governmental; they are from your employees of one sort or another or the employees of other people engaged in like business, and they have whatever bias the employment may or may not furnish.

Mr. STRAUSS. I see no reason whatever to question their accuracy.

Senator WILLIAMS. I am not questioning it, either.

Mr. STRAUSS. I hope not.

Senator WILLIAMS. I am just trying to locate the source.

Mr. STRAUSS. When I ask the president of one of these companies to give me some information about the South American business of last year I do not imagine for a minute that he is going to color his answer to me by reason of the pendency of this discussion.

Senator WILLIAMS. I would not be impolite enough or discourteous enough to say that; but still, at the same time, it must be admitted, must it not, that he is a party to this controversy, and interested in it, and he is opposed to this legislation; that must be admitted, must it not?

The CHAIRMAN. Go on, Mr. Strauss, and finish your remarks, if you can.

Mr. STRAUSS. Will you allow me to suspend that answer for a moment?

Senator WILLIAMS. No; I would rather not have the answer suspended.

Mr. STRAUSS. I would admit that a man who is interested might have his conclusions influenced by his interest, but I do not see how a man who is honorable can have his conclusions as to a matter of fact affected.

Senator WILLIAMS. But, nevertheless, a cotton planter feels inclined to bull the market and a cotton buyer to bear it. As a matter of fact, as far as your information is concerned, it is from these employees who are interested in this tariff discussion?

The CHAIRMAN. The committee can not sit much longer, and if Mr. Strauss wants to finish he had better be permitted to finish.

Mr. STRAUSS. I say, as a result of the contrast I have just made, the exports of American machines to South American countries, including Brazil and Argentina, decreased, in 1911, 42½ per cent over those of 1910.

Placing typewriters on the free list amounts merely to an invitation not only to the German manufacturers but to the manufacturers of other countries to enter into this field, to the ruin of the American industry, built up through many discouraging years at enormous expense and loss to American capital. While the Germans are the only manufacturers who have as yet entered into the industry upon a large scale, the English, the French, and the Italians are now making a beginning. For instance, the English are now manufacturing what is called the Moyaa machine, which is successfully competing with our machines in South America, and French capitalists have

purchased the American Fay-Sholes machine and are now successfully manufacturing it in their country.

The conditions prevailing in England and France as to material and labor are as favorable as those existing in Germany, and if the American field is opened to the free importations of typewriters it is fair to assume that impetus will be given to these industries in England and France, which can not help but react against the American manufacturers. Moreover, it should be noted that, with the exception of England, practically all of the European countries impose duties upon typewriters which the American manufacturer has to pay in competition in the European markets; hence, if typewriters are placed upon the free list here, it will result in discrimination against the American manufacturer in favor of the European manufacturer in that respect.

I have here a book of parts. It is so late I will not bother you to look at it, but it illustrates this thing.

The CHAIRMAN. You can leave it here, if you choose, for the information of the committee.

Mr. STRAUSS. I will send one. It says this typewriter consists of over 1,000 parts. In that sense it is complicated. It is made of small parts here, sometimes no larger than the parts of a watch, and it can not be compared to a printing press or to a locomotive or to an automobile. It can be better compared to a watch; and I want to say here for the record that in our judgment it would be just as consistent to place a watch, with its fine parts and fine adjustments, upon the free list, upon the theory that it was a production of steel metal or any other metal protected by this law, as it is—and just exactly as reasonably and logically—to put typewriters on the free list.

Senator WILLIAMS. Do you know any good reason why, from a protective standpoint, a watch should not be put on it?

Mr. STRAUSS. I can not discuss that. I can only say this, that a typewriter, with its numerous intricate and finely made and apportioned parts, in the assembling of which the whole success of the industry rests and without which it is doomed to failure, and, in fact, without which many enterprises have gone to ruin because they lacked just that skill—

The CHAIRMAN. The committee understands that point, Mr. Strauss. I suggest that you confine yourself to your own subject.

Senator HEYBURN. Mr. Chairman, I ask that Mr. Strauss may be permitted to file a statement showing the production during each year for the last eight years, say, as a part of his remarks.

The CHAIRMAN. Can you do that, Mr. Strauss?

Mr. STRAUSS. I can do that when I get back.

Senator HEYBURN. To save the time of the committee in asking questions.

Senator WILLIAMS. And I ask, at the same time that he file a statement showing the value of the production of the Underwood Co. during the last five years; its annual receipts by sales; its annual payments to labor; its annual dividend; the annual amount added to surplus; the annual amount charged off to depreciation; and the annual amount added to the plant by reinvestment.

Mr. STRAUSS. May I ask the Senator whether these figures for the calendar year of 1911 will be satisfactory?

Senator WILLIAMS. The last year for which we have Government reports to check your reports.

Mr. STRAUSS. You want them for 1910?

Senator WILLIAMS. For 1910.

The CHAIRMAN. All right; they will be received and printed.

Mr. STRAUSS. A point about this situation that you have been considering is also the question of freight. It is an anomaly that you can ship a typewriter to Buenos Aires from New York or Connecticut or Boston, Mass., a distance of about 10,000 miles, for the same rate you can ship the same article a few hundred miles away from those centers. The charge from Hamburg and Bremen for shipping a typewriter, box and all, is from 20 to 25 cents. They charge the same rate from New York and Boston and Norfolk. I would like to add to these remarks when I send them in.

The CHAIRMAN. The committee would be very glad to accept any additional statement you desire to file.

Mr. STRAUSS. I thank you very much.

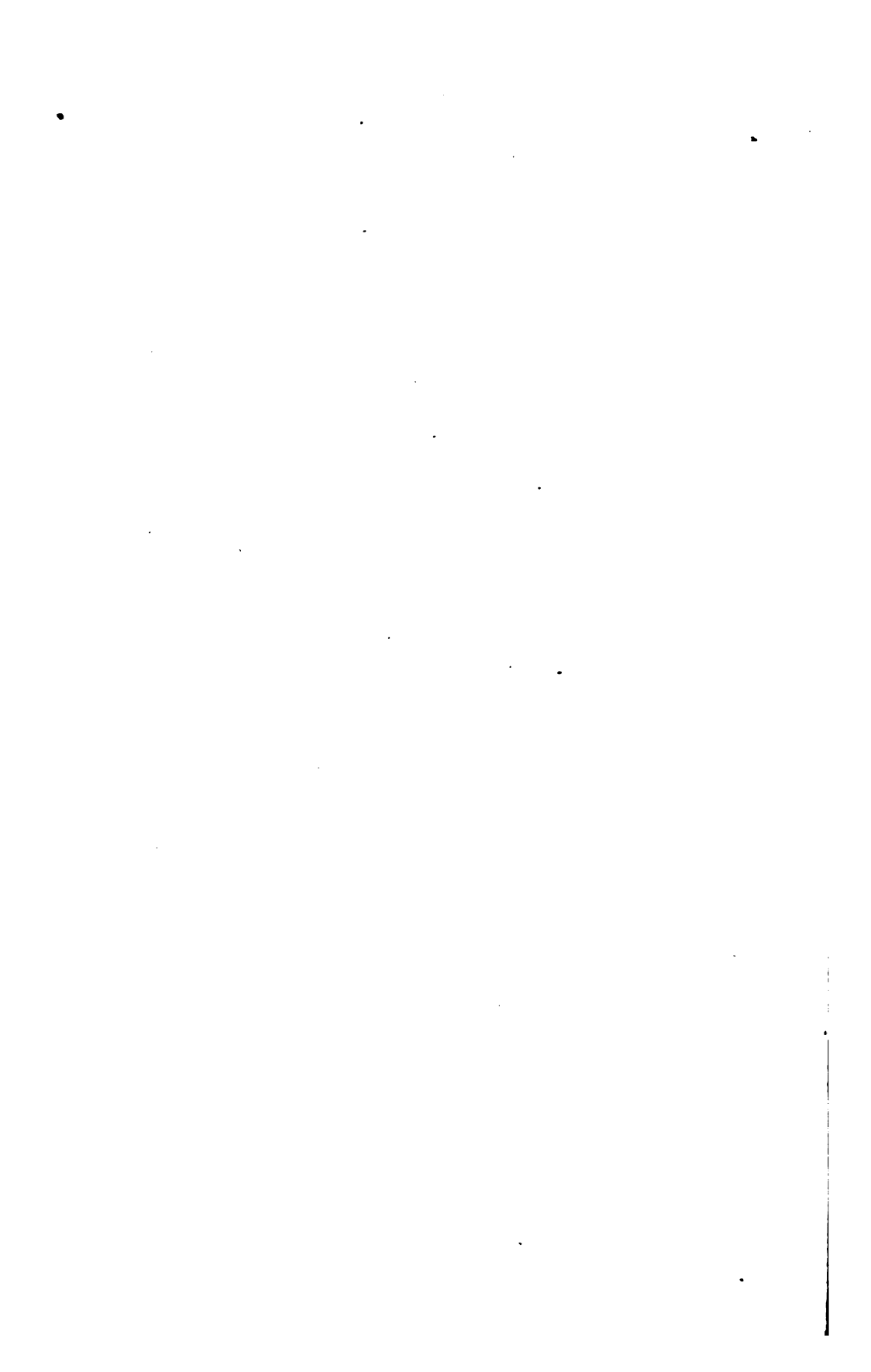
STATEMENT OF MR. BENEDICT M. HOLDEN, 36 PEARL STREET, HARTFORD, CONN.

The CHAIRMAN. It will be too late to hear you now, Mr. Holden.

Mr. HOLDEN. I would like to leave with the committee the appearance of Mayor John F. Wade, of Bristol, and with his appearance the books showing the wages paid in a factory producing this same article—roller bearings—in Germany, from 1904 to 1910; and also affidavits showing the wages paid in England for the manufacture of a like product; and also a statement from Mr. Austin, the Chief of the Bureau of Statistics of the Department of Commerce and Labor, showing the importation of this product to be about 50 per cent of the total consumption in the United States at the present time.

The CHAIRMAN. The statements regarding the wages and importations will be received and printed. The committee will stand adjourned until 10 o'clock to-morrow morning.

Thereupon, at 6.25 o'clock p. m., the committee adjourned until to-morrow, Saturday, February 17, 1912, at 10 o'clock a. m.



APPENDIX.

The documents referred to are printed in full, as follows:

STATEMENT OF O. P. AUSTIN, CHIEF OF THE BUREAU OF STATISTICS, DEPARTMENT COMMERCE AND LABOR.

Antifriction balls, ball bearings, and roller bearings of iron or steel, or other metal, finished or unfinished, duty 45 per cent; value of imports for the year 1911 (fiscal year), \$1,083,894, foreign value. Duties, \$487,752.

AFFIDAVIT OF JOHN G. OBERMIER.

STATE OF OHIO, *County of Stark, ss:*

In matter of cost of production of antifriction roller bearings.

John G. Obermier, being first duly sworn, says he is 50 years of age, resides in the city of Canton, Ohio, and for 30 years has been engaged in the manufacture of axles, roller bearings, and various parts used in building vehicles.

Affiant further says that he is now and for several years last past has been connected with The Timken Roller Bearing Co., of Canton, Ohio, in the capacity of factory manager, and of his personal knowledge knows the wages paid to employees in the plant of said The Timken Roller Bearing Co., wherein are employed from 500 to 600 hands.

Affiant says that in the production of roller bearings said The Timken Roller Bearing Co. pays a minimum of 16½ cents per hour and a maximum of 37½ cents per hour and that the average paid for labor in producing roller bearings is 26 cents per hour.

Affiant says that the amounts paid per hour above set forth are the actual amounts paid to productive labor and excludes higher wages which are paid to foremen of departments and others having supervision of the men and machines.

Affiant further says that he is familiar with the equipment employed by the Electric & Ordnance Accessories Co. (Ltd.), manufacturing roller bearings in Birmingham, England, of which company Mr. Arthur John McCormack is a director, and that said Electric & Ordnance Accessories Co. is manufacturing roller bearings under license granted by The Timken Roller Bearing Co., and that the machines used by said Electric & Ordnance Accessories Co. were manufactured in this country and are duplicates of the machines employed by The Timken Roller Bearing Co.

And further affiant saith not.

JOHN G. OBERMIER.

Sworn to and subscribed before the undersigned authority this 13th day of February, 1912.

[SEAL.]

DAVID B. DAY,
Notary Public, Stark County, Ohio.

AFFIDAVIT OF ARTHUR JOHN MCCORMACK.

STATE OF OHIO, *County of Stark, ss:*

In matter of cost of production of antifriction roller bearings.

Arthur John McCormack, being first duly sworn, says that he is 45 years of age; resides in Adderley Park, Birmingham, England; that by profession he is a mechanical engineer and has been engaged in manufacturing for 25 years and for the last 10 years in the production of automobiles and parts thereof.

Affiant further says that he is managing director of the Wolsley Tool & Motor Car Co. (Ltd.) and a director of the Electric & Ordnance Accessories Co. (Ltd.), both of Birmingham.

Affiant says that said Electric & Ordnance Accessories Co. is manufacturing roller bearings under license from the Timken Roller Bearing Co., using identically the same mechanical equipment that is employed by the Timken Roller Bearing Co., of Canton, Ohio, in the manufacture of its roller bearings.

Affiant says that he is familiar with the scale of wages paid in the Birmingham district and in England generally in the production of roller bearings.

Affiant says that labor employed in the production of roller bearings and working on exactly the same equipment as that employed by the Timken Roller Bearing Co., of Canton, and that said Electric & Ordnance Accessories Co. pays a minimum of 10 cents per hour and a maximum of 18 cents an hour, with an average of 15 cents per hour, and that the same scale of wages for like work is the universal wage throughout the midland counties of England and being the most important manufacturing district of said country.

Affiant further says that he has been engaged in similar manufacturing operations upon the Continent, and that the general wage scale paid for like labor upon like work to that above described is considerably lower than the wage scale prevailing in England, as above set forth.

Affiant further says that the cost of material of like grade and quality for use in roller bearings is practically the same in England and America.

And further affiant saith not.

ARTHUR JOHN MCCORMACK.

Sworn to and subscribed before the undersigned authority this 18th day of February, 1912.

[SEAL.]

DAVID B. DAY,
Notary Public, Stark County, Ohio.

STATEMENT MADE BEFORE THE SENATE FINANCE COMMITTEE, UNITED STATES SENATE, FEBRUARY 15, 1912, IN RELATION TO THE PROPOSED CHANGE IN THE STEEL SCHEDULE AFFECTING STEEL BALLS, BALL BEARINGS, AND ROLLER BEARINGS.

In the interest of New Departure Manufacturing Co., Bristol, Conn.; Standard Roller Bearing Co., Philadelphia, Pa.; Hyatt Roller Bearing Co., Newark, N. J.; Timken Roller Bearing Co., Canton, Ohio; and others.

The manufacture of steel balls, ball bearings, and roller bearings in this country is of very recent development, for previous to the advent of the motor car the industry was so small as to be practically negligible. We can say, therefore, that any consideration of the subject is a matter of the past six years and that the products are integral parts of the motor car.

There is at present invested in this country in this line of business about \$9,000,000, and the various manufacturers employ, collectively, between 5,000 and 6,000 people, 95 per cent of whom are adult males.

The industry as a whole may be called the manufacture of antifriction bearings. There are several different types of such bearings all having special characteristics of their own; but so far as the use of one type or another is concerned, they all perform the same general functions and enter into competition one with the other; hence, they should be considered collectively, so far as any general argument is concerned.

The manufacture of antifriction bearings requires the highest development of scientific handling of both labor and material, and there are factors entering into this industry which are applicable to no others.

Of the total amount of capital employed, practically \$9,000,000, at least 85 per cent thereof is invested in special apparatus, meaning by that term special equipment of plants and special machinery and stock, all of which, or about \$3,000,000, would in the event of liquidation be almost worthless.

The total domestic consumption of antifriction bearings is estimated at between \$8,500,000 and \$9,000,000, this being approximately the average for the years 1910 and 1911. Of this total \$2,500,000 represents the sale of imported bearings at American sale prices.

It will be seen, therefore, that under the present duty of 45 per cent the American manufacturer has approximately only two-thirds of the home market and his foreign competitor one-third, and that foreign competition is not a future possibility should the tariff be reduced, but is already an accomplished fact under the present tariff, for no contract of any magnitude is awarded without several of the large foreign manufacturers, German in particular, being represented.

Under such conditions and handicapped as we are by our much higher scale of wages than that of our foreign competitors and being compelled to meet

their continued reductions in sales prices, we view with uncertainty the future of our business and feel that unless we are fully protected the entire field will be absorbed by foreign competition, resulting in the loss of our business and a considerable portion of our invested capital.

Our present profits have in most instances been absorbed by development and experimental work and the large depreciation on special equipment incident to a new and intricate industry of this character, and it can be stated that the domestic manufacturer taken as a whole has been unable to withdraw any appreciable profits from his business, all of the same having been put back into the business with a hope to the further development thereof. Any change in our present relation to foreign competition affects the stability of our business in the future and jeopardizes several years' returns on the capital already invested, which capital we were led to invest on the basis of the present tariff rate.

The suggested reduction in tariff rate would make it possible for the foreign manufacturer to reduce his price in this country about 15 per cent, and it would be impossible for the American manufacturers to meet this reduction and continue business.

No reduction in the steel schedule will affect the price on our raw material to any appreciable amount, for the reason that the materials used in the manufacture of antifriction bearings are of an entirely different nature from those required in the ordinary mechanical arts. They are known in general as alloy steel, are purchased in comparatively small quantities, are of special analysis, and in many instances of special size, and do not exceed 15 per cent of the total cost of the product. It will thus be seen that a reduction upon raw material would have little or no effect.

The labor cost is the large factor in the total cost of manufacture. The average cost of the various kinds of material used in our products varies from 8 to 10 cents per pound. From the very nature of our product, requiring as it does the most extreme accuracy and the greatest amount of care, we are compelled to employ only the most intelligent class, which is at all times scarce and difficult to obtain, still further handicapping us as compared with our foreign competition. There is nothing that we know of in the mechanical arts at the present time that must be produced with anything pertaining to the same degree of care and accuracy, both as to labor and material, as the antifriction bearings. A variation in a bearing in excess of two and one-half ten thousandths of an inch either way necessitates the discarding of that bearing for any commercial use.

This extreme accuracy requires, therefore, the most careful and scientific methods in the handling of both labor and material, and the proportion of cost of the labor required in the manufacture of this product is a very large part of the total cost as compared with other lines of industry. This operates strongly against us, more so, we believe, than in any other line of metal product, and entitles us to your very full consideration.

It is known by those most familiar with labor costs that the same is much greater here than abroad, being at least two and one-third times more in the United States than in Germany—from which country comes the majority of imported bearings—and about twice as much as in England.

We ask, therefore, a continuation of the present rate to enable us to continue the development of this industry, and we base our argument specifically upon the following grounds:

First. Our labor costs are from two to two and a half times those of our foreign competitions.

Second. The advantage accruing to us by any reduction in the cost of raw material will be absolutely negligible, and there are considerable classes of material entering into the maintenance of our business which will not be affected whatsoever.

Third. The best possible evidence of our inability to stand reduction is that one-third of the total American consumption is even now in the hands of foreign manufacturers, and that unless we are properly protected the entire business is likely to pass to them.

Fourth. That in the manufacture of antifriction bearings we can only use intelligent and exceptionally high grade labor; and, further, that the percentage of that labor entering into our costs is a larger factor than in almost any other industry.

Fifth. That the industry, being of such recent development, we have had as yet no adequate returns.

Sixth. The difference between the total cost of production and present selling price is so small that the contemplated reduction in the proposed bill will make it impossible for us to share the home market with the foreign manufacturers.

Seventh. The foreign manufacturers—of whom but 3 were represented in this country three years ago, whereas now more than 12 find this an attractive market—supply one-third of the American demand and at a satisfactory profit, or the trade would not continue, without the maintenance of any plant or equipment whatsoever and without employing a single dollar's worth of American labor or the use of a single dollar's worth of American material.

All of which is respectfully submitted.

The following petitions were submitted by Mr. Reilly at yesterday's session:

RUTHERFORD, N. J., February 10, 1912.

Senator PENROSE,

Chairman Finance Committee,

United States Senate, Washington, D. C.

GENTLEMEN: We, the undersigned, oppose the passage of the Underwood-Palmer tariff bill, commonly known as the steel revision bill, now up before the Senate, same being decidedly against the interests of the machinists, pattern makers, molders, and core makers of this country:

Cornelius Casper, William A. Ludwig, John Adams, David Howarth, Charles Pannicke, Emil Gerber, Arthur Hill, Victor Habermann, William R. McNally, Harry Koch, Frank Hamlein, Chas. Bandel, Conrad J. Vitoz, Sidney Walton, Chris Mueller, Franz Reinecke, H. Feig, T. McClatchy, J. Webb, Melchore Gehrmann, Wm. R. Buggeler, J. A. Möller, B. Kuk, Ernest Egaty, E. Jankowitz, H. Kaiser, Charles De Lorenzo, Chas. J. Knitz, Jos. C. Jehl, Frank Kudlle, M. De Lorenzo, Walter Atkinson, Otto Eckardt, Wm. H. Lenk, E. Eggler, Harry Schelblin, Rudolph Rayner, Ernest Neidhardt, John Lelpold, H. Hildebrandt, P. Morello, Joseph Smith, Geo. O. Casson, Fred De Nadol, Anthony Purner, Carl Marofsky, Chas. Meder, P. L. Kocher, Emil Gerber, Emile Luting, John Goldriver, Jos. Leim, Tob. Sludek, A. Gallo, F. Bernheim, W. Hatch, Jas. Fenton, E. Phillips, Fred Bettiger, C. Renke, D. H. Crown, A. O'Neill, F. Rose, T. Welker, C. Muller, A. Nesbitt, H. Alex, F. Sperling, Sydney L. Sears, Charles Waldie, Maurice Feldman, Arthur Jung, Louis Haenlein, Franklin T. Baker, Peter Ryan, William J. Veech, Herman Bartelmes, Alexander Scott, John Thomas Darbyshire, Louis Villa, Harry Smith, Irme Kain, Alexander Berry, Jacob Merkle, Geo. Baumgard, Geo. Webster, John Bartelmes, John Brandel, Wm. Burns, N. G. Freeland, Adam Baumann, Elmer Trueman, George Frey, C. R. Langfelder, Geo. C. Wurster, John Waldie, Anton Tenees, Fred Hoehne, Adolph Lampert, Joe Herman, E. Csokany, A. Marschek, Fred Sohmeil, William Wiedemann, Franz Traum, Joseph Senft, John Laverty, C. L. Kimball, Henry Kastner, S. Fill, Eugen Kenter, P. Guidano, Philipp Joeger, Ley Prystuss, Emil Mueller, Josef Plaseik, F. Fiszher, Peter Johnson, Joseph Ceciznosky,

Employees of the Fuchs & Lang Manufacturing Co., Rutherford, N. J.

We, the undersigned machinists, pattern makers, and molders, employed in the printing-press industry, hereby protest against the passage of the bill commonly known as the Underwood-Palmer tariff bill, now before the United States Senate, which abolishes the 30 per cent duty on printing presses.

Wm. Hann, Wm. Fegan, Frank Lelvers, Wm. Saunders, William Wilson, Robert McGoldrick, jr., H. Stewart, G. H. Bennett, Robert Feilze, A. G. Barber, Frank Perry, P. W. Voorhees, Samuel Harper, E. Wolverton, Emil Kraemer, Frank H. Hopler, Geo. McCusker, Robert Herzog, Chas. Frederickson, Robert B. Dilks, John Mooney, M. McCarthy, William Newmiller, Chas. Miller, August Bartlau, Robert Larmour, C. J. Compton, Frank A. Biekgord, J. A. Neill, A. W. Tartter, T. Hargreaves, Chester Dennis, John A. Grell, M. Staats, George Delaney, D. Saunders, E. Jonas, Chas. T. Overbugh, Samuel Montrose, William Masty, M. Kilpatrick, Robert Dorman, Chas. Hurst, P. I. Flatley, Thos. Mulcahy, Howard MacQueen, Ernest A. Rowe, Patrick H. Dunn, Herbert Shillinger, Howard B. Templin, Joseph Winiaki, Berg L. Johnson, John Chamberlain, William Courtney, M. Hansen,

E. J. Connolly, Charles Schultz, A. T. Runyan, Chas. C. Davis, W. J. Harper, James Lindsay, Edward Jonas, Fred W. Rose, John M. Higgins, Wm. H. Demaris, R. E. Humpston, E. D. Pangborn, Patrick Dwyer, Charles Mehlenbeck, Chas. W. Harrell, James F. Evans, John Ashton, G. T. Surphen, John Hehn, Edw. S. Weaver, Jos. R. Weaver, Fred Smith, Lambert Lambertson, John Strumbach, Robt. A. Kelly, Jacob Jonas, Peter Jonas, Edward Allen, J. Goulding, Wm. F. Oliver, Harry B. Dennis, Chas. T. Randolph, William P. Wendell, John R. Cooley, W. C. White, Axel Yahsson, L. C. R. Dunham, Adolph Kahrmann, Wm. S. Creveling, Tho. O'Keefe, A. V. Neill, Wm. L. Yurek, John R. Evans, John G. Bremmer, W. C. Dugan, Leonard F. Bennett, John Bennett, Theo. W. Hile, G. H. Karnell, W. Manning, H. C. Nomer, F. E. Sowden, B. J. Banks, John J. Madden, Clinton Noe, Rudolph Wuergler, Oscar Peterson, R. W. Ellis, V. D. Jensen, A. W. Spirek, Forrester Hartpence, Wm. Robinson, Charles Johnson, Oscar Zugbaum, Harry Templin, Eugene Guerrier, Robert McGoldrick, James Hallock, Louis Stolt, Warren Ayres, Geo. Simon, Albert Siple, C. Russ, Robert Hendershot, George T. Rignel, Charles H. Lehman, Lloyd H. Pangborn, Charles W. Hall, Casper A. Stadele, Robert Gray, Louis Funk, C. R. Adams, George B. Coffee, jr., George H. Hansen, Arthur Milliard, Fred. Erikson, James C. Jamieson, George Saleino, Frank S. Templin, Geo. W. Harvey, Clarence Goss, John Harper, Elmer E. Weseman, John Vosseller, Wm. R. Kriney, James C. Tunison, Fred Nelson, S. F. Green, Sam Van Artsdale, David Rockfellow, Josef Najcsak, George C. Dawson, Johan Honelyak, Geo. A. Serrmann, Clarence Brouard, Adelbert C. Barras, P. C. Street, O. A. Frederickson.

PLAINFIELD, N. J., *February 8, 1912.*

We, the undersigned, citizens of Plainfield, N. J., all employed in the manufacture of printing presses, do hereby protest against the enactment of so much of paragraph 73 of H. R. 18642 as pertains to printing presses, because such enactment would either subject us to a reduction of approximately 50 per cent in our daily wage or throw us out of employment entirely.

W. R. Mosher, Otto Iloor, G. E. Stillman, De V. St. John, Thomas Mendell, Thos. Caleen, Fred. P. Pearce, Fred. L. Stillman, Fred'k Bakker, Mark W. Clark, Charles Dahlin, Thomas Chamberlin, Henry Corliss, L. B. Case, M. Polln, George A. Weston, John Stroppel, William H. Gerhold, Samuel Smith, Ernest Roulinson, Andrew Muir, Vincent Wisniewski, William G. Fairbank, Stephen Kennett, John Porter, Richard S. Cunen, Andrew Pittroff, Joseph Brown, A. E. Mathews, Otto Kohler, Harry Sherly, Warner B. Philpott, Frank Eugene Moor, S. E. Humpston, Chas. W. Dilks, C. W. Titsworth, W. A. Smith, Frank Malang, John Williams, William J. Flosbach, J. J. McCoy, H. C. Mosher, Thomas Roddy, Matthias Heftl, Martin Becker, William J. Eakins, Edward Eskeren, Edward Mosher, John J. Duffy, Thomas Fitzgerald, Albert Jaeger, George Baumann, Aaron Mattox, Paul Schacht, Adolf Kohler, A. C. Hunting, Chas. J. McCarthy, John Nichols, Frank King, William Mague, David Johnson, Charles Jaeger, Fred Stranzbach, James Jones, Elmer Anderson, David Melvin, Maurice O'Connor, Wm. J. Trembley, Walter Cotgreave, Ernest Cavanagh, Leo Scherpinger, Joseph Bird, Harry C. Buzby, James McClinton, Andrew McClelland, Fred Sears, Wm. Goeller, George Wunderlich, A. G. Niles, Jacob Bakker, Fred Howarth, W. Koppel, F. Tozze, Tony Larusso, Tony Adamis, H. B. Greene, J. R. Brennan, Geo. S. Luafford, John Ferris, Ben Josephino, Dominic Sundry, Felix Pashqua, M. Carrano, Julius J. Williams, James Patterson, Paul V. Buzby, Francis Whitley, John Reese, Henry Brandt, James Hurley, jr., J. B. Higgins, James Chamberlain, W. B. Smith, Thos. H. Chamberlain, Peter Russ, Thomas McInerny, William Chamberlain, Andrew Ryan, Robert Parker, Giacinto Misino, Edward M. Mosher, sr., Gumi Gregorki, Martin Regan, W. Flosbach, Glus Rigante, Tony Jusc, Frank D. Randolph, Edw. V. Taylor, Irving A. Hunting, George Gulick, C. A. Rogers, Wm. Johnson, Jas. L. Pope, A. L. Case, Arthur J. Spicer, Arthur L. Titsworth, Edw. Connors.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 8

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909**

FIRST PRINT

SATURDAY, FEBRUARY 17, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

to keep the price of sheet as close to that of spelter, or pig zinc, as possible, thus offering nothing tempting to others to engage in rolling zinc. There have been several attempts made, but these were all failures except the Illinois Zinc Co.'s plant, at Peru, Ill.

That is all, gentlemen.

The CHAIRMAN. Unless the members of the committee have some inquiries to address to you, that will be all.

Mr. MAZE. Thank you.

**STATEMENT OF MR. JOHN A. TOPPING, OF NEW YORK CITY,
CHAIRMAN OF THE BOARD OF DIRECTORS OF THE REPUBLIC
IRON & STEEL CO.**

The CHAIRMAN. Will you state your full name?

Mr. TOPPING. John A. Topping.

The CHAIRMAN. Where do you reside?

Mr. TOPPING. In New York.

The CHAIRMAN. Whom do you represent?

Mr. TOPPING. I am chairman of the Republic Iron & Steel Co.

The CHAIRMAN. Where are their works located?

Mr. TOPPING. They are located in seven States—Alabama, Illinois, Indiana, Pennsylvania, Ohio, Michigan, and Minnesota.

The CHAIRMAN. You address yourself to the whole bill, do you?

Mr. TOPPING. I am addressing myself to the general metal schedule, Mr. Chairman.

The CHAIRMAN. Very well. If you will proceed, the committee will be glad to hear you.

Mr. TOPPING. We are rather broadly interested in the entire schedule.

The CHAIRMAN. About how many men altogether are employed by your company?

Mr. TOPPING. About 12,500.

I am here, as a representative of the Republic Iron & Steel Co., to record my protest against the passage of House bill 18642, which, if it should become a law, in my opinion, will cause great loss to both the capital and the labor employed in the iron and steel business.

The Republic Iron & Steel Co. is one of a number of the larger independent companies, but is small in comparison with the United States Steel Corporation; yet it is large in size as compared with the hundreds of smaller companies engaged in the various branches of the iron and steel trade.

The Republic Iron & Steel Co. has invested approximately \$65,000,000 of capital, employs over 12,500 workmen, and disburses in wages approximately \$9,000,000 per annum. The properties of the company are owned by approximately 4,500 shareholders. Its mines, mills, and blast furnaces extend from Alabama to the Great Lakes, being located in seven States. Large as these interests are, they are small in comparison with the total vested interests represented in this great business of producing iron and steel. Census reports are not available to bring the statistics to date; but I estimate that the total capital employed in the iron and steel business of the United States at this time represents not less than \$2,250,000,000; that the total approximate number of employees averages from 450,000 to 500,000 men; and that there is disbursed in wages not less

than \$400,000,000; and that the rates of wages paid per day are not less than double and in many cases three times the rates of labor paid in foreign countries with whom we would have to compete. Unless adequate protection is established, in my opinion, a loss in wages of \$100,000,000 per annum is a practical certainty.

In the case of our own company, our last annual report shows that the average earning power of our employees is over \$760 per annum, or approximately \$2.40 for each working day, which rates will average, I think, as high if not higher than labor rates in any other important industry in this country.

The range of wages paid in the steel mills of the United States averages from \$1.70, for common labor, to from \$10 to \$15 per day for the more highly skilled workers. These are some of Mr. Brandeis's "pauper wages" and "white-slave labor."

Senator HEYBURN. Not everybody can afford to pay those wages.

Mr. TOPPING. We can not, either, as a matter of fact, as I will show.

The rate of wages paid in the steel trade to-day averages an advance of approximately 30 per cent during the last decade; and the living conditions of labor to-day are decidedly better than have been ever before known.

The iron and steel manufacturers, who were summoned before the Ways and Means Committee in 1908 and the early part of 1909, submitted numerous tariff briefs, tabulating data as to cost and wages, subscribing to the statements over their own signatures under oath. This information, to the best of my own knowledge and belief, was carefully and accurately compiled. While there have been some changes in costs and cost conditions since 1909 it is my opinion that the data submitted, although labor rates have risen since 1909, can be fairly used to-day as showing the approximate differences in cost between production at home and production abroad if it is desired to treat labor and capital fairly by a duty to equalize wage difference.

The author of House bill 18642, in a recent article, stated that he did not favor radical legislation. So far as this statement would apply to the iron and steel schedule, taking into account the fact that under the Payne bill iron and steel duties were reduced approximately 50 per cent, the proposed legislation, which reduces the steel schedule of the Payne bill approximately another 50 per cent and changes the duties from specific to ad valorem rates, is both radical and damaging, as the proposed duty is not sufficient to equalize labor difference at the current rates paid, even though all profits are eliminated.

The elimination of the profits of the steel business, under present conditions, would not be difficult, as the earnings during the past year have been meager, as recently published statements show. If the present conditions of agitation and uncertainty continue, or if the conditions of competition are to be intensified by opening our gates to foreign manufacturers, labor can not escape sharing with capital the burden of reduced income.

As a proof of this general statement I think no better illustration can be offered than to show direct labor costs in a ton of southern pig iron produced in Alabama, where nature has largely assembled the raw material for conversion, and where labor costs on this account are lowest. I base my statement on the records of my own

company, which operates three modern blast furnaces in Alabama, and which also operates modern iron-ore mines, coal mines, and limestone quarries, and controls directly the operation of production from ore to pig iron.

This estimate is based on direct labor only; or, in other words, excluding all indirect labor, such as labor in transportation, labor in the production of such supplies as brick, clay, lubricants, mechanical equipment, etc., the direct total is \$5 per ton. If all items of labor, direct and indirect, are considered, labor would represent approximately 90 per cent of the total cost of production. If it be conceded that wages are approximately double what they are in England it will be apparent that our excess labor cost on this showing would be \$2.50 per ton over either English or German labor; whereas, the proposed duty, based on present foreign prices, which are abnormally high, proposes a duty on a ton of pig iron of approximately \$1 per ton. Therefore, Alabama producers in meeting foreign competition would necessarily sacrifice profits of \$1.50 per ton to maintain wages, making no allowances for the excess cost of inland freight to seacoast points as against the cheaper water transportation from abroad, which freight excess would amount to \$2 or more per ton in meeting competition from abroad at the seacoast. With the present margin of profit there would be no alternative other than to drastically reduce wages, and the railroads also would be compelled to radically reduce freight rates in order to protect American trade and transportation interests.

Senator McCUMBER. Do I understand, then, that it would cost more to get your product from your factory to the seacoast than it would cost England or Germany to bring their product to that coast, including the freight rate?

Mr. TOPPING. That is correct.

Senator McCUMBER. Would it interfere with the continuity of your argument to give us the comparative figures?

Mr. TOPPING. I have all of that information here. If you will be kind enough to make notes, and then ask the questions at the conclusion of my statement, I think I can answer almost anything you would like to have.

Senator McCUMBER. All right.

Mr. TOPPING. In the northern districts, where we also operate, on account of the long haul involved in assembling the raw material, the labor cost is greater than it would be in the South. In the production of the more highly finished products the ratio of labor increases as you approach higher-finished forms; so that this illustration applies with more force on the other products employing a larger per cent of labor.

I maintain the general proposition, in other words, that the proposed bill does not equalize the difference in labor alone in any iron or steel product.

Another objectionable feature of the proposed bill, to my mind, is in the change from specific to ad valorem rates. This plan not only exposes American trade to undervaluations and fraud, but it also exposes our markets in times of depression abroad to minimum import duties when the labor needs greater protection; and, conversely, it imposes maximum duties when values are higher, and

when the consumer needs the protection of lower duties. As a general proposition, competition as it now exists is sufficient to give the consumer full and adequate protection, notwithstanding the fear entertained in some quarters that competition is eliminated. The fact is that the American consumer to-day is in possession of lower prices than have existed for a period of 15 years; and labor is receiving the highest rewards in the way of compensation ever known in the steel trade.

Another objectionable feature to the proposed bill is that it permits the importation of manganiferous ores free and imposes a tax of 15 per cent on ferromanganese and other metaloids used in steel making; thus imposing a tax on the manufacturer who purchases ferromanganese and discriminating in favor of the manufacturer who imports the ore free and makes his own ferromanganese.

Senator SMOOT. There is only one concern in the country that makes it, is there not?

Mr. TOPPING. There is only one concern in this country that is a large enough user of ferromanganese to avail itself of this privilege, viz, the United States Steel Corporation. The amount of ferromanganese used varies from 25 to 50 pounds per ton of steel. A concern that produces 20,000,000 tons of steel ingots could operate a blast furnace or two on ferromanganese. A concern producing a million tons of steel, as we do, could not afford to operate a blast furnace on ferromanganese, because our consumption per annum would not be sufficient to feed a furnace. There are no two other manufacturers that I know of who are big enough to operate a blast furnace for their own supply of ferromanganese.

Another objection to the bill is that it imposes a tax of 15 per cent on hoop and band iron and steel in scrolls or long lengths, and yet it admits the same articles free when cut to lengths, including cotton ties, or a light band. There is also the inconsistency of protecting bolts with nuts, but permitting nuts when separate to enter free. Wire and rods in some forms are protected, whereas the more highly finished products, nails and spikes, made from the rods enter free.

There is still another inconsistency, viz, too large a grouping at the same rate of duty of products which involve the expenditure of the maximum and minimum of labor. As an illustration, beams, structurals, and sheets pay 15 per cent duty, yet the same products when fabricated are admitted to entry at the same rate.

In other words, take plain black sheet, which is run through a pair of corrugating rolls and then painted. The same rate of duty applies to that as to a plain black piece of steel that comes from the rolls hot. Take structural steel. When fabricated, punched, or riveted, ready for erection in a steel building, the same rate of duty applies as to the plain stuff as it comes from the rolling mill—manifestly an inconsistent situation.

Sufficient evidence has been submitted, I think, to show the importance of making no change in the metal schedule until after a thorough investigation of the facts by the Tariff Board. Whatever revision is made should be only schedule by schedule after expert investigation, with knowledge before action, rather than, as now proposed, action before knowledge.

Much stress has been laid on our increasing exports of iron and steel, and some assume that this great industry can continue in a

prosperous condition without protection. While it is true that our exports have increased annually, yet it should not be forgotten that our steel and iron exports to-day are confined to sales which are being made almost exclusively by the United States Steel Corporation, which largely controls transportation costs, and is more thoroughly integrated than other producers; that the growth of exports during the past two years has been largely due to the unusual activity of foreign markets and high prices prevailing abroad, and to the overloaded condition of our own markets and the consequent low prices at home. If the trade conditions were reversed, in my opinion our export tonnage would immediately show the effect of the change. Even to-day, under the present law, our Pacific coast territory is exposed to foreign competition, particularly in our products, pig iron and steel bars; and upon the opening of the Panama Canal, with the great advantage of foreign manufacturers in shipping, conditions on the coast are likely to be worse rather than better, unless we find some means to build up and operate a merchant marine.

To summarize our disadvantages and inequalities, it may be stated that in addition to increased labor rates of over 100 per cent, we are further handicapped by an increased first cost of plant of at least 50 per cent, which necessarily increases our depreciation and maintenance charges; and our capital requirements are also necessarily increased. With our higher rates of interest and high cost of transportation by rail, as against the cheaper water transportation, this should suggest that we are entitled to some protection beyond the mere difference in the cost of labor, if the industry is to be maintained on a basis where it can be made to prosper, maintain reasonable hours of work and wages, and pay a reasonable return to capital.

In view of the fact that there have been no substantial changes in costs since I submitted my tariff brief to the Ways and Means Committee on January 1, 1909, I submit this statement as a supplement to my statement before the Ways and Means Committee on the date stated.

I have with me that statement, to which I shall make some reference later.

The CHAIRMAN. Do you want it incorporated as part of your remarks?

Mr. TOPPING. Yes, sir; I do.

The CHAIRMAN. The statement will be printed, then, as referred to by you.

Mr. TOPPING. As to the hours of labor and the rates of wages, I should like to say just one word.

The United States Steel Corporation, as is well known, are the greatest producers of iron and steel in the world. As a competitor of that company, I want to say that they have done more to uplift labor and create better living conditions, and they have stood more strongly for the maintenance of wages than any other producer of iron and steel. Perhaps one reason for it has been that they have had the ability to do it. They have had the earning power that permitted it. The smaller companies—the so-called independent companies—have had to meet that competition. As a result, since 1900, I ascribe the increase in wages more largely to the efforts of the steel corporation than to the natural conditions of supply and demand of labor.

I want to say, furthermore, for the benefit of the committee, that much has been said about "white slavery" and the conditions of living in iron and steel circles. The Republic Co. own and maintain a great many different communities or towns—camps, if you please—of their own. I want to go on record as saying that the living conditions in those towns, both sanitary and otherwise, are far ahead of and better than those in any industrial communities, where the town conditions are controlled by municipal authorities. The wage conditions in iron and steel, generally speaking, are, as I have stated, the highest ever known and better than those of any other industry that I know anything about; and I know about several, because I am interested in several.

Something has been said about another matter which I know some of you gentlemen naturally want to know about; and I am very glad to make this statement of record: I maintain that there is no profit in iron and steel. I have before me, and will leave with you, the semiannual report that I presented to our stockholders on January 1, 1912, which shows that we earned at the rate of about 6.34 per cent, I think, on our capital.

The next question that naturally might be asked is: "Does your capital represent fair capitalization?" I think I can answer that question "Yes." The Republic Iron & Steel Co. was one of the early companies, or so-called combinations, formed in 1899 and the early part of 1900. It originally represented 29 different iron-producing companies. To-day, instead of having 29 plants, we have nine. The basis of capitalization at the time of the organization or inception of the company was an appraisal value, or the replacement value of the original plants. There was put in for working capital, as I am told by the promoters—I have been with the company only about six years, and the records of the company do not show this, but I am reliably informed that this is correct by the attorney who put the companies together—\$6,000,000; and the value of the plants, appraised by an expert committee, was the basis for the issue of preferred stock. The common stock represented good will. The earning power I have just spoken of is based on the preferred stock. Nothing was earned on the common stock.

The CHAIRMAN. Has the common stock ever paid a dividend?

Mr. TOPPING. It never has paid a dividend.

There were no bonds at that time. The company, of course, has grown, largely at the expense of borrowed capital. We have issued \$12,500,000 of bonds; we have increased our capital stock from \$22,000,000 originally to \$25,000,000. We have spent about \$21,000,000, all told, since the formation of the new company, in new property, additions, and extensions; and we have an organization that is thoroughly self-contained in all respects save transportation. In other words, we produce everything that we consume, such as coal, coke, iron ore, limestone, pig iron, steel, and many finished products, embracing nuts, bolts, spikes, shafting, polishing material, plates, tubular products of all kinds, merchant bars, and many other smaller incidental products. So I think we can fairly lay claim to being properly integrated for economical operation; and I think our figures will show that we are not overcapitalized.

Senator CULLOM. Where is the headquarters of your company?

Mr. TOPPING. Our principal operating office is at Youngstown, Ohio. We maintain offices all over the country. The executive or administrative office is at New York, and our financing is done from there.

Senator CULLOM. It used to be in Chicago, did it not?

Mr. TOPPING. Yes, sir. We removed the office from Chicago, but we still have works at Chicago, Moline, East St. Louis, and at Muncie, Ind. But we have large works in Ohio around Youngstown, and we operate a great many mines and coke ovens through Pennsylvania and blast furnaces in Alabama, as I stated before you came in, Senator.

Senator WILLIAMS. I understood you to say that your books did not show how these plants that were taken into the combination were valued.

Mr. TOPPING. Yes, sir; I made that statement, Senator Williams.

Senator WILLIAMS. The books do not show it. Why is it that the books do not show it? How does it happen that the books do not show it?

Senator McCUMBER. I think you misunderstand each other. Your testimony was that the books did show it, was it not?

Mr. TOPPING. I made the statement as the Senator put it—that the books do not show it, because in the early books the plants were put in at a lump sum. I could not tell how much valuation was put on each plant. The books show what was the total value of the plant and the total amount of cash.

Senator WILLIAMS. I understand that; but the books do not show the individual value of each plant that was taken in?

Mr. TOPPING. No, sir.

Senator WILLIAMS. Stock was issued for the value of the plant, and yet the books do not show the valuation of each plant. My question is, how did it happen that the books do not show that?

Mr. TOPPING. I think the reason for it was this—

Senator WILLIAMS. It seems to me that ought to have been done.

Mr. TOPPING. When the 29 different concerns were put together there was naturally more or less jealousy as to the value A, B, or C might have received for his plant. A might have thought his plant was better than B's, and in order to put them together they were covered up to avoid any dissension of that kind.

Senator WILLIAMS. So the matter was purposely concealed?

Mr. TOPPING. That is an assumption on my part. I do not know that from any fact.

Senator WILLIAMS. To keep the several plants from knowing what each of the others had gotten?

Mr. TOPPING. Yes, sir; to maintain harmony in the organization.

As against my statement as to our earnings, some companies have not earned their fixed charges in the last year, and some have gone into the hands of receivers. None of those that are reporting their statements publicly, outside of the Steel Corporation, have earned over 6 per cent, or 6½ as a maximum, on their invested capital.

The CHAIRMAN. Most of the large concerns make public reports, do they not?

Mr. TOPPING. Yes, sir. Ours are public reports, and, as you will see, very great publicity is indulged in by our company.

I have some data here on the question of profits abroad which I can not put my hands on just at the moment.

As against the statement of earnings in this country, I have in my tariff brief submitted to the Ways and Means Committee some data which I think will be recognized as reliable as to the earning power of foreign companies engaged in iron and steel. I state there that in 1907 the capital employed was \$70,000,000, covering a certain group of industries. The average rate returned on that capital was 5.4 per cent. There was paid to labor \$306,000,000, or 332 per cent in excess of what capital received. The company I represent paid its capital in 1907 approximately 5½ per cent and its labor \$5,832,000, or 444 per cent in excess of the amount paid to capital, which would indicate that the estimates presented above are correct.

In striking contrast to the estimated average dividend of less than 6 per cent paid to stockholders of American iron and steel manufacturing companies, the Berlin correspondent of the Iron Age, in the issue of that periodical for January 14, 1909, states that the average dividend paid to the stockholders of 13 of the largest German manufacturing companies of iron and steel for the year 1907 was 13.66 per cent, and for the year 1908 the average was 11.89 per cent, or nearly double what was received here.

Senator WILLIAMS. Just one question there: During the time that you were declaring this dividend, how much did you add to your surplus?

Mr. TOPPING. Our total surplus to-day is five million two hundred and some odd thousand dollars.

Senator WILLIAMS. How much of your earnings went into the increase and improvement of the plant?

Mr. TOPPING. Since 1900 my recollection of the figures is that, allowing for our capital increases during the whole period of time, we probably show between five and six millions of dollars of added plant values, due from the earning power in excess of dividends and surplus. As against that, of course, you have got to charge off liberal sums for depreciation, because during that 10 years of time we have changed the 29 plants to 9, and have completely changed the operation from iron to steel. In other words, we have been wrecking 20 and extending and improving 9. Take our blast furnaces in Alabama. We have spent since 1909 over two and a half million dollars in the reconstruction of those blast furnaces, as against a total first cost in investment of about \$3,000,000.

Senator WILLIAMS. Your combination resulted in closing up 20 plants?

Mr. TOPPING. Yes.

Senator WILLIAMS. Shutting down 20 plants?

Mr. TOPPING. Shutting down 20 plants and doing more business at 9 than we did originally at 29, and employing more labor and paying much more in wages.

Senator WILLIAMS. How did the total number of workingmen in the nine plants compare with the number of workingmen in the original number?

Mr. TOPPING. It increased; I think it nearly doubled.

Senator WILLIAMS. You merely concentrated the work, did you?

Mr. TOPPING. Exactly. It was a concentration for purposes of economy. In other words, it was a case of moving plants improv-

erly located to more convenient spots for sending raw material, conserving transportation, and utilizing the economies that one district presents as against another. That was wholly and solely the reason; and that is about the only merit there is in combination. If you can not get that economy out of it, you had better not combine.

I mentioned briefly the question of foreign competition. It is not wholly a question of the difference in cost or the difference in transportation. There is another difference that I want to call to your attention, which perhaps you have heard of indirectly, as to German methods.

The German manufacturer has worked out the scheme of cooperation with his government in the most effectual way that I know. As a result of the teamwork the manufacturer and the laborer and the Government are performing in Germany, she has made most wonderful strides in the exportation of her manufactured products, not only in iron and steel but in everything else. She employs her labor better than almost any other foreign country, because that combination of influence has been at work in her favor. I think the figures will show that in the last 10 years the German exports of iron and steel have increased over 500 per cent; and yet Germany is a protection country, as you know.

The reason that export has grown so enormously, in my opinion, is that they have had the benefit of cooperation. They have been permitted by the Government to syndicate or pool operations to such an extent that a group of manufacturers—for instance, A, B, C, and D—would get together; and if A could export some given product, and made a loss, B, C, and D would pay A a bounty on those exports, so as to equalize the profits of the exporter to the basis of the general syndicate profits in the entire operation.

The result has been that the exports of German steel at times have shown a great loss, but the average results to the German syndicates have always shown a great profit, as I indicated in my previous statement as to earnings of 11 and 12 per cent per annum. If the manufacturers here get together, as I was trying to get together recently a body of manufacturers to form an export company and have a central selling agency, our attorneys tell us we would be open to possible attack as violating the Sherman Antitrust Act. And yet our purpose in combining would be for the extension and not the restraint of trade.

Senator WILLIAMS. Of course. Now, coming back to the German situation a minute: The upshot of it all that they recouped in their home market for what they lost on their export trade?

Mr. TOPPING. They did.

Senator WILLIAMS. That is what I thought.

Mr. TOPPING. That is exactly what they did.

Senator CULLOM. Can you tell how much that export amounted to?

Mr. TOPPING. I have here some data on that point that I want to submit to you. This is from my brief before the Ways and Means Committee.

Foreign competition can not be measured by the cost of production alone, as under the influence of legalized syndicates or trust agreements the foreign producer follows a policy of extreme aggression, and to this policy governmental railroads and subsidized steamship

lines contribute. So destructive has this character of competition become even to England, that an English writer, Mr. T. Good, in *Cassier's Magazine* for November, 1908, states:

As an illustration of an incident of losses incurred on exports, on an operation for six months a wire-rod syndicate reported domestic profit of £58,000 and loss on exports of £42,000.

In other words, there was a loss of over \$203,000 in a six months' operation. Yet they recouped that loss from the profits on their domestic consumers.

Senator WILLIAMS. Which their tariff enabled them to do?

Mr. TOPPING. Not necessarily. Their syndicates enabled them and the Government permitted them to do it. The advantage of it was that in their exports they employed labor, kept down socialism, brought new capital into the country, employed their people, and operated their mines.

Senator WILLIAMS. But suppose they had not had a tariff. Do you not imagine that the English and American people would have shipped goods into their market, so that they could have recouped on the home market?

Mr. TOPPING. They could not have had a syndicate operation had they had free trade, because they could not have maintained the level of home values.

Senator WILLIAMS. That is just what I was thinking.

Mr. TOPPING. That is exactly right.

Senator WILLIAMS. That is what I wanted you to enlighten us upon.

Mr. TOPPING. Further reference to this feature of competition is made in market report of the Dusseldorf correspondent of the *London Iron and Coal Trades Review* for March 20, 1908, which states that the home and export prices, which prevailed in Germany in that month for leading articles of iron and steel were:

Articles.	Home price.	Export price.	Approximate difference, United States equivalent.
	s. d.	s.	
Joists.....	{ 122 6 }	109	\$3.84
Blooms.....	{ 125 6 }	74	4.44
Billets.....	100	76	5.76
Steel bars.....	102 6 { }	{ 78 79 }	5.52

A difference of \$5 a ton and over in steel bars would mean \$5,000,000 a year to the Republic Iron & Steel Co., because we make about a million tons per annum. Think of it; think what Germany is doing, the price she is paying to increase her export trade and employ her labor, whereas if we sell a pound of stuff abroad we are open to criticism. We are likely to wear a badge of demerit rather than one of merit if we do export, by chance, a few pounds of steel or iron from America:

Senator WILLIAMS. You will not wear that badge because you export, will you? You will wear it because you recoup it, or make it up, on the home consumer.

Mr. TOPPING. We can not make it up on the home consumer under the Payne bill. The proposed bill would mean, in my opinion, so far as my own judgment goes as to what I would do—I will not go out of business, like my friend Mr. Schwab—

Senator WILLIAMS. Of course, if you could do it, you would wear that badge, not because of what you exported, but because of what you recouped.

Mr. TOPPING. We would have that badge placed on us by some as a badge of dishonor rather than one of honor. But I think we would be entitled to the badge of honor, because, in my opinion, any man that can pay 100 per cent more for his labor and still export is entitled to a badge of honor.

Senator WILLIAMS. It would not be because of what you exported, but because of what you recouped at the expense of the home consumer. That would be the reason of putting the badge on you, would it not?

Mr. TOPPING. Our exports are not made as a result of recouping on the home consumer, because to-day we are selling steel to the home consumer cheaper than any other country on the face of the globe. That is what we are doing under the Payne bill. The average price on most of the products we produce—and we produce a very large line—runs from \$2 to \$3 a ton below English and German prices f. o. b.

Senator WILLIAMS. That is a rather important statement. Let me see if I caught it right. You say the American producers are to-day selling steel cheaper in the home market than any other producers in the world?

Mr. TOPPING. I think so; and the reason for it is that the American steel producer is to-day selling steel at a loss. This question of competition that has worried some of our politicians and others is here in very deadly earnest. It is a case of the survival of the fittest, and the fit are few in number and many are going by the wayside.

Senator WILLIAMS. If the home competition is so fierce that it has reduced you to prices below the level of prices anywhere else in the world for the same products, how in the world would you be hurt by foreign competition?

Mr. TOPPING. Because we can not continue to do business at a loss. You will have your iron mills out of business in a short time at this rate.

Senator WILLIAMS. That is about what I thought.

Mr. TOPPING. Do you want to bring about that condition?

Senator WILLIAMS. You say the industry is temporarily suffering a loss. How did your prices last year compare with those of this year? Will you make the same statement about last year that you made a moment ago about this year? You said that you were selling cheaper than anyone else in any other home market.

Mr. TOPPING. The answer to that question is contained in the annual report of my company, which shows that we earned about 7 per cent on our preferred capital last year.

Senator WILLIAMS. No; you do not understand me.

Mr. TOPPING. That answers your question. I think I understand you.

Senator WILLIAMS. No; you made the statement a moment ago that just at the present time your prices to the home consumer were cheaper than the prices of any other country to home consumers.

Mr. TOPPING. Any other producing country, of course—that is, Germany, England, or France.

Senator WILLIAMS. Of course—any other producing country. Now I ask you if that statement, which you make about this year, would apply to the year 1910?

Mr. TOPPING. I do not think the difference would be so marked last year as to-day, because foreign prices are abnormally high, having advanced very materially during the past six months, and they have had two years of practically a boom in Europe. England and France and Belgium and Germany are receiving—

Senator WILLIAMS. That statement would not apply to the year 1910, then?

Mr. TOPPING. I do not think so.

Senator WILLIAMS. Would it apply to the year 1909?

Mr. TOPPING. I think not.

Senator WILLIAMS. To the year 1908?

Mr. TOPPING. I think not.

Senator WILLIAMS. So it is merely a temporary situation?

Mr. TOPPING. I so regard it.

Senator WILLIAMS. Growing out of a momentary depression of trade?

Mr. TOPPING. No; growing out of an unusual world's demand abroad and the unusual depression existing here, due to the uncertainty that surrounds business efforts to-day. We do not know where we stand.

Senator WILLIAMS. I say, it is a momentary depression here, is it?

Mr. TOPPING. I hope so; but I do not know whether it will be or not, unless some constructive legislation is worked out by you gentlemen.

Senator WILLIAMS. Let us express it differently, then, and say it is a present depression here.

Mr. TOPPING. A present depression is what it unquestionably is.

Senator WILLIAMS. Very well. That is the way you account for it, then, notwithstanding the increased demand abroad and the stimulated business there?

Mr. TOPPING. I think you may put it in another way: That our condition here of so-called depression is brought about—that is, the reduced consumption is accounted for—more largely by the fact that the constructive uses of iron and steel have practically disappeared, because new enterprise lags in a time of uncertainty such as we are in to-day, where no man knows what legislation is going to do for him and where no man knows with any certainty what he can do under legislation that exists.

Senator WILLIAMS. Is that because of the uncertainty of the trust laws?

Mr. TOPPING. Exactly, and uncertainty as to this tariff; uncertainty as to what stuff is going to cost the merchant next month or next year. The manufacturer who buys steel to make agricultural imple-

ments, if you please, plows or harrows or wagons or what not, is not going to lay in a stock of steel—as he usually does and must—for a year's requirements, and make up his wagons and his plows for the farmers' use next year if he has any prospect ahead of him that steel is going to be worth \$3 or \$4 a ton less, possibly, through a reduction in the tariff or through an agitation of the tariff, which always affects the price.

Senator WILLIAMS. It just comes back to "the wicked Democrats," then, does it not?

Mr. TOPPING. Generally speaking, it does. [Laughter.]

Here are just a few items of labor, which I have no objection to putting in the record, taken from the pay roll which I have had prepared from our company, showing how the poor ironworker and the poor mechanic—those "white slaves" that Mr. Brandeis talks about so much—are paid, how many hours they work, and all about it.

The CHAIRMAN. I suggest that you comment on the statement now, and then have it inserted in the record.

Mr. TOPPING. All right, sir; I will do that.

I want to say this in connection with the 12-hour system, which I believe has never been touched on by anybody. I stated awhile ago that I had been in the steel business about 30 years. I have been in it, in fact, somewhat longer than that. I entered as a very young man, when I was about 18 years old. My first position was that of statistician and chief clerk to the general superintendent of our old works. I came in very close contact with labor. I had to do with tabulations of figures and costs and carrying out tests in the manufacture of iron and steel; and I have been through almost every other position since then.

The 12-hour system was established absolutely by the unions, and it is not an institution of the "trusts." It is not an institution of the manufacturers. I well remember that we tried to put into effect a three-turn shift in our sheet mills and tin mills some years ago before it was finally adopted. The unions that were then in control objected to that plan, because it meant the introduction of more apprentices, more new factors in the union, and they perhaps could not control labor as well with that condition of apprenticeship increased as they could with the restricted number that they had under control. They also had restrictions on the output of sheets and tin plate.

It is because of that tendency to dictate and to manage the business for the steel maker that manufacturers have opposed the closed shop and have fought so hard for the open shop, rather than against the institution of unionism or against the propriety of labor legislation, as best it can for its own improvement and advancement. It is a question of the principle of management.

So the 12-hour system has been with us a great many years. We admit that we have it, but the men who work 12 hours do not work continuously. They work intermittently. They work 12 hours in preference to working a less number of hours, because if you reduced the hours of labor it would mean increased wages per hour, and our wages now are so high that we can not stand any increase in them. We will do well to maintain what we have; and we can not maintain it, in my opinion, if we have any change in this schedule as proposed by the Underwood bill.

Just a word that perhaps will be instructive and entertaining. In the case of one of our large plants, where we have 6,545 people, 240 work 8 hours, 9 work 9 hours, 2,352 work 10 hours, 465 work 11 hours, and 3,479 work 12 hours.

Senator CULLOM. They all take their own time?

Mr. TOPPING. Yes, sir.

This table which I will submit will show the occupations of the men who work the longer numbers of hours, and it will indicate to those who understand the occupations about how intermittent the work is. Of course, no man can work continuously 12 hours, but if he works an hour and rests an hour he may work 12 hours with greater ease than a man who works hard and persistently, without any breaks, for 8 hours. I would rather work 12 hours, alternating shifts of half-hour heats, or hourly differences, as many of them do in the blast furnaces, or half-hour heats in some of the smaller heating furnaces, than to work persistently 8 hours without a break. Would not you?

Senator WILLIAMS. I do not know. I never tried either.

Senator HEYBURN. That is an interesting proposition, and I wish you would particularize that somewhat, because the impression has gone out that where witnesses have testified to men or boys working 12 hours it meant 12 continuous hours. I wish you would emphasize that a little and apply it to the different classes of 12-hour labor.

Mr. TOPPING. There are no employees that I know of in the steel business that work continuously 12 hours.

The CHAIRMAN. Out of the 12 hours, how many hours do they probably work? Mr. Schwab said some of them only work an hour out of the 12.

Mr. TOPPING. I think it would be very conservative to say that many who work 12 hours do not work continuously over 6.

Senator HEYBURN. Those are all full-grown men, are they?

Mr. TOPPING. Oh, yes. We can not work the small chaps in making our heavy products.

Senator HEYBURN. There is an aggregation of people in session here in town whose hearts are rended over the long hours that people are said to work, and it would be opportune to explain what is meant by the designated number of hours in the various kinds of employment, if you know the facts.

Mr. TOPPING. To get at that in a perfectly clean-cut way it would be necessary to state specifically the exact conditions that affect each job in the case of the people who are working long-hour time.

Senator HEYBURN. It might be profitable to do so.

Mr. TOPPING. Before I would care to do that in that specific manner I should want to check up my recollection and confer with some of the men who are now immediately in charge of the practical works. I have been out of the practical work for 10 or 12 years; but what I have before me is a statement prepared by one of our superintendents. It is authentic and will go in the records and can be verified.

The CHAIRMAN. You can state in a general way, I suppose, what it shows.

Mr. TOPPING. I have stated that in a general way, Senator. I think, taking the blast-furnace man, he would not average six hours. Take the open-hearth man; I doubt if he would average any more

than that, because during the period of casts, when they are making a melt in a blast furnace, those men sit down and smoke, and if you do not watch them some of them take a drink. We watch that, however.

Senator CULLOM. How does the impression go out that such a man works 12 hours when he actually only works 6?

Mr. TOPPING. Because he has to wait an interval of time for the materials charged into the blast furnace to be smelted before they can be tapped. For instance, take the man who has charge of the work of charging the furnace—that is, putting the raw materials in the top of the furnace. After he has filled up that furnace for each group of men they sit down and wait until the furnace melts down its charge and it is tapped by the tappers below and taken away. As soon as that operation is complete the chargers come back, alternating, charge it again, and the melters below are waiting for the stuff to melt. So while one crew works the other waits, and vice versa.

Senator CULLOM. The man is really on duty all the time?

Mr. TOPPING. He is on duty 12 hours, but he has to work only about half the time.

Senator HEYBURN. How long does it take to tap the furnace?

Mr. TOPPING. It depends somewhat upon the character of the materials you are working and the size of your furnace. I think there is an interval there of about two hours.

Senator McCUMBER. His duties consist of six hours of labor and six hours of smoking?

Mr. TOPPING. Whatever he cares to do.

The CHAIRMAN. Reading the newspapers, I suppose, and discussing political questions?

Mr. TOPPING. Yes; reading a "Hunky" paper, as we call the Hungarian papers.

Senator HEYBURN. What percentage of the Hungarians are citizens of the United States?

Mr. TOPPING. I can not answer that question. I do not know.

Senator HEYBURN. Do you pay any attention at all to the citizenship of your employees?

Mr. TOPPING. We pay no attention to it. In the last few years, on account of the conditions of labor, it has been fairly well employed, even though we have not been working at remunerative prices. Labor has been so well employed abroad that the influx of new labor has been insufficient to meet the demand for labor here to a large extent. The consequence has been that there has been comparatively little idle labor as yet in this country. Take your immigration returns for last year; they show that the influx of labor was less than half what it was the year before, and the outgo was 2 to 1.

Senator HEYBURN. I read a statement in the paper since yesterday's adjournment to the effect that there has been a very large increase in the percentage of American citizens in your class of work within the last year or two; that there is not so large a percentage of foreigners being employed. Is that true?

Mr. TOPPING. I think that is true so far as the skilled workers are concerned, Senator; but it is not true, in my opinion, in respect to the commoner labor, the rougher element of labor that we employ.

Senator HEYBURN. They are getting broken in, are they, to the new country they probably have just reached?

Mr. TOPPING. Yes; they are getting broken in, and in time they will be assimilated, and in turn their children will be the skilled workers. It is the raw material that we start with and put on the crudest jobs. The second generation become the finishers.

Senator HEYBURN. Some of the first generation learning the trade?

Mr. TOPPING. Yes.

Just take the item of the wage-earning power of these different men. I will report a few of them that may interest you.

The average rate of wage paid in a northern mine is \$2.56 per day. That is up in the Northwest. Machinists, \$3.45 a day; blacksmiths, \$3.65; pattern makers, \$4; carpenters, \$2.95; pipe fitters, \$2.80; boiler makers, \$3.25. I am giving now the tops of these different branches. Bricklayers, \$4.30; roll turners, \$3.80; molders, \$3.30; riggers, \$2.50. The riggers are the fellows we use in putting up derricks and doing various kinds of construction work about our mills. That is a rather more intelligent class of common labor. Electricians, \$3.45; motor and light inspectors, \$3.60; linemen, \$2.65; cranemen—the men running electric cranes—\$3.65; switchboard men, \$2.76; larry operators, \$2.52. The larry operator is the man that sits in a cage and works an electric lever that moves the crane or the electric trolley that takes the coal down to the coke ovens to be coked, or takes the ore down to the charging ovens for the blast furnace, where it is moved up to the skip at the top.

Senator McCUMBER. How much does he receive?

Mr. TOPPING. \$2.52, and he is sitting down most of the time. Millwrights, \$3.45; water tenders, \$2.52; firemen, \$2.28; boiler cleaners, \$3. These are scaled down from the top; there are some prices lower than that—the second men, you know. Blast furnace top helpers—the man I talked about working 12 hours—\$2.35; keepers—the men at the bottom—\$2.85; helpers, \$2.35. That is the foreign labor. They work 12 hours so as to get the \$2.35. If they worked eight hours they would get less money, because we would not pay any more per hour; we could not. Yet there is an effort being made by some people to put into effect for those fellows an eight-hour, a seven-hour, or a ten-hour shift for a five-and-a-half-day week, and in many cases they are rebelling against it. The men themselves are opposing that innovation.

Bessemer plant, \$3.50 to \$4.36. Converting mill—that is the blooming mill, where the steel is rolled, and the ingot is handled—from \$3.08 to \$5.57. In the finishing mills, farther along the line, the wages run from \$2.99 to \$6.82. Maintaining the gas holders, where we convert the coal into gas, which in turn is taken into the furnace for heating or fuel; the wages run from \$1.70 for the common labor that uses the shovel to push the coal into the hopper to the gas maker at \$2.87. About all he does is to stand around and watch the operation, and see that the men do their work. In the open-hearth steel works, the melters make \$10 a day, and work 12 hours; first helpers, \$5.25. The cheapest labor in that department gets \$2.50 a day. In the rolling mills, the wages run from \$3 to \$5.75—about the same as in the other mill. In the finishing department, the

wages run from \$2.85 to \$6 a day; and so on through the list. And when we get into the more highly finished jobs, some of the rollers earn, as I stated, from \$12 to \$15 a day.

That is all I have to submit, gentlemen.

(The various papers submitted by Mr. Topping are as follows:)

ARGUMENT AND STATEMENT OF JOHN A. TOPPING TO THE WAYS AND MEANS COMMITTEE, WASHINGTON, D. C.

NEW YORK, January 1, 1909.

HON. SERENO E. PAYNE,

Chairman Committee on Ways and Means, Washington, D. C.

DEAR SIR: On November 25, 1908, I appeared before your committee in response to their request to address them on the subject of the iron and steel schedule relative to tariff revision, but, for reasons stated then, I requested further time to more thoroughly consider the subject, and also the privilege of submitting my views in the form of a brief.

In addressing you now I shall confine myself to the products in which I am directly interested and concerning which I have direct information, rather than to the exclusive subject of billets and bars, to which I had been invited to confine myself. The products I shall now consider are pig iron, steel ingots, billets, slabs, steel bars, bar iron, spikes, bolts, nuts, and polished shafting. These products are covered under the Dingley bill by paragraphs Nos. 122, 123, 130, 135, 141, 145, and 163.

GENERAL STATISTICS.

The magnitude of the iron and steel industry is perhaps common knowledge, but a few statistical figures may be pertinent. The census report for 1905 states that the capital invested is \$992,774,034; the number of men employed, 242,740; the amount of wages paid, \$141,439,906.

These enormous totals, however, in my opinion, do not give the iron and steel interests credit for growth since 1905, or for the large amount of capital invested in mines, steamships, and industrial railways, and must also have excluded such capital as bonds. Taking as a basis for an estimate the average capital, men employed, and wages paid from a number of representative companies producing iron and steel, and working out averages and applying the figures to the entire production of the United States, it is estimated that total capital invested is \$2,273,321,891.92; total number of employees, 442,608; total wages paid, \$306,116,907.02; average per annum per man, \$691.62; average per day (250 days), \$2.76.

The United States Steel Corporation alone having invested over \$1,400,000,000, with an annual pay roll of over \$160,000,000.

By a similar computation of averages the cash disbursement to capital for 1907 was \$70,830,362.86 (5½ per cent), and to labor for 1907, \$306,116,907.02 labor having received over 332 per cent in excess of capital. The company which I represent paid its capital approximately \$1,071,000 (5½ per cent), and its labor \$5,832,000, or approximately 444 per cent in excess of its stockholders, which would indicate that the estimates presented have been conservatively calculated.

In striking contrast to the estimated average dividend payments of less than 6 per cent paid to the stockholders of American iron and steel manufacturing companies, the Berlin correspondent of the Iron Age, January 14, 1909, issue, states that the average dividends paid to the stockholders of 13 of the largest German manufacturing companies of iron and steel for the year 1907 was 13.66 per cent, and for the year 1908 the average was 11.89 per cent.

MONOPOLY.

There is no monopoly maintained in iron and steel. Mr. J. M. Swank, of the American Iron and Steel Association, tabulations of the companies engaged in the business, reports as a total 190 blast-furnace companies and 277 steel works and rolling-mill companies. The total production of the country and the pro-

duction of the United States Steel Corporation for 1907 is submitted in detail herewith:

Production of iron ore, pig iron, steel works, and finished rolling-mills products, year 1907.

[Gross tons.]

	Total.	United States Steel Corporation.	Independent companies.	Percentage United States Steel.
Iron ore.....	51,720,619	23,980,558	27,740,061	46.3
Pig iron.....	25,781,361	11,422,795	14,358,566	44.3
Ingots, Bessemer open-hearth.....	22,559,477	13,342,992	9,216,485	59.1
Structural shapes.....	1,940,352	1,066,727	873,625	54.9
Wire and wire rods.....	2,017,583	1,443,191	574,392	71.5
Plates.....	2,660,060	877,682	1,782,378	33.0
Sheets.....	1,588,772	1,070,752	1,030,795	50.0
Thinplate and ternplate.....	514,775			
Bars and similar rolled product.....	5,032,652	1,937,247	3,095,405	38.5
Hoops and bands.....	616,347	370,000	246,347	60.0
Cotton ties.....	58,000	30,000	28,000	51.7
Pipe and tubular goods.....	1,802,627	1,174,629	627,998	65.1
Rails, Bessemer, open hearth, and iron.....	3,633,654	1,879,985	1,753,669	51.7
Total.....	119,926,279	58,598,558	61,327,721	48.8

SUMMARY GROSS TONS.

Total iron ore.....	51,720,619	23,980,558	27,740,061	46.3
Total pig iron.....	25,781,361	11,422,795	14,358,566	44.3
Total crude steel.....	22,559,447	13,342,992	9,216,485	59.1
Total finished product.....	19,864,822	9,852,213	10,012,609	49.5

NOTE.—This statement is partly compiled from data published by the United States Government Bureau of Statistics and from the American Iron and Steel Association.

From the foregoing table it will be noted that over one-half the production is by independent iron and steel companies, which insures sufficient general competition to influence fair prices. Business generally has prospered under the Dingley Bill, this being particularly true of industries dependent upon finished iron and steel as raw material. As an instance of this prosperity, the farm-machinery manufacturers (who are one of the largest consumers of iron and steel) will serve as an illustration. This industry not only supplying our enormous home demand for farm machinery but at prices which enabled them to command the markets of the world. Government reports showing a growth of farm-machinery exports from 1897 of \$5,302,877 to \$25,597,272 in 1907, an increase of approximately 400 per cent in 10 years.

Imports and exports under the present law are rather evenly balanced.

For the year 1907, imports, 1,891,526 tons; for the year 1907, exports, 1,362,575 tons.

The heaviest items of import are iron ore, pig iron, bar steel, billets, and blooms, and these items are among those of smallest export.

At the present level of prices in domestic markets some producers are not realizing a fair profit and some will show losses, but, low as prices are, importations offer some price advantages to consumers at seaboard, this being particularly true of the Pacific and Gulf coasts. If this advantage is increased Government revenue may be increased, but if so, it would be at the expense of home production and at a loss to labor in wages, which would quickly be felt in those markets which supply to labor the necessities of life.

As was previously stated, labor received in wages during the year 1907 approximately \$306,000,000, and, should there be a revision of the tariff sufficiently radical to force a reduction in the present wage schedule of even one-third, it would mean a loss to labor of over \$100,000,000, which now goes to enrich the farmer and others who supply to labor the necessities of life.

Managing ability and brains can not overcome existing wage differences. We do now, and would continue to, minimize the amount of labor employed, but geographical advantages abroad, resulting in short inland haulage, with water routes to large markets and low cost of assembling materials for manu-

facture, would all combine to force our labor to extreme rates if our markets are exposed to radical tariff reductions. Of the total export tonnage shown by Government reports of 1,300,000 tons, over 1,000,000 tons were exported by the United States Steel Corporation; the balance was largely made up of shipments to markets where first cost was not the determining factor.

The export policy of the large companies has tended to steady home markets, to secure maximum production, minimum costs, and, incidentally, to furnish labor fullest employment, even though net profits were sacrificed at times. As a general proposition, however, the small manufacturers of iron and steel can not sell abroad without loss, and there are but few companies who could afford to maintain an export business at a loss, as it would require an enormous volume of profitable domestic business to absorb export losses—as do the foreign export pools and syndicates—without too seriously affecting averages and profits.

Foreign competition can not be measured by cost of production alone, as under the influence of legalized syndicates or trust agreements the foreign producer follows a policy of extreme aggression, and to this policy governmental railroads and subsidized steamship lines contribute. So destructive has this character of competition become, even to England, that an English writer—Mr. T. Good, in *Cassier's Magazine* for November, 1908—states:

As an illustration of an incident of losses incurred on exports, that on an operation for six months, a wire-rod syndicate reported domestic profit of £58,000 and loss on exports of £42,000 (over \$203,000).

Further reference to this feature of competition is made in a market report of the Dusseldorf correspondent of the London Iron and Coal Trades Review for March 20, 1908, which states that the home and export prices which prevailed in Germany in that month for leading articles of iron and steel were:

Articles.	Home price.	Export price.	Approximate difference, United States equivalent.
Joists.....	122s. 6d.-125s.	109s.	\$3.84
Blooms.....	92s. 6d.	74s.	4.44
Billets.....	100s. 0d.	76s.	5.76
Steel bars.....	102s. 6d.	78s.-79s.	5.52

The same correspondent writes to the Review for November 27, 1908, as follows: "The Wire Rod Syndicate, which already pays a bounty of 16s. 6d. (\$3.96) per ton to consumers who work for the export market, has just informed them that the payment will be increased by 5s. (\$1.20) per ton in order to stimulate the export trade. Converted into drawn wire, the former works out at 18s. 2d. per ton, and the 1s. 6d. paid by the Rhenish-Westphalian Coal Syndicate brings the present total to 19s. 8d., while the increased payment now decided upon will raise the bounty to 24s. 8d. per ton (or \$5.99).

The British consul general at Frankfort, Sir Oppenheimer's report for 1907, also shows a large difference between the export and home-consumption price in Germany and Belgium; rates in favor of export sales on coal of 1 mark 50 pfennigs; pig iron, 4 marks 86 pfennigs; billets and semifinished steel, 15 marks; structural material, 20 marks. These differentials increase or decrease as trade conditions suggest. During 1907 German differential on semifinished steel showed a difference of 10 marks (approximately \$2.40); in the early part of 1908 this differential was increased to 15 marks (approximately \$3.60). It will therefore be seen that the question of policy in giving employment to German and Belgian labor rather than profit to the operation of producing iron and steel is a factor of dominant importance and cost of production is of secondary importance. Under this policy German iron and steel exports have rapidly increased and now stand at approximately 4,000,000 tons per annum.

FOREIGN AND DOMESTIC COSTS.

Pursuant to the request of your committee, I submit all the data obtainable on foreign costs. Manufacturers generally regard their costs as trade secrets and guard them closely. This disposition was intensified by newspaper warnings, "Look out for American tariff spies" (New York Times clipping Nov. 28, 1908; *Tageblatt*, Berlin). While official cost sheets are lacking, the table

of wages, iron and steel prices, and other general information secured from foreign trade-journal writers, consular reports, and personal representatives abroad, submitted herewith, enable me to present estimated figures of cost which my general experience leads me to believe are approximately correct.

Approximate average labor rates, foreign and domestic, per day.

	Foreign countries.		Representative domestic labor rates.	Domestic rates, increase.	
	England.	Belgium.		Over England.	Over Belgium.
Blast furnaces:					
Blowing engineers.....	\$1.37		\$3.00	\$1.63	
Bottom fillers.....	1.12		2.20	1.08	
Top fillers.....	1.27		2.47	1.20	
Keepers.....	1.82		2.75	.93	
Keepers' helpers.....	.97		2.20	1.23	
Skip engineer.....	1.18		2.60	1.42	
General labor.....	.91		1.60	.69	
Average increase, per cent.....				94.7	
Rolling mills:					
Roller.....	7.20	\$1.90	13.62	6.42	\$11.72
Catcher.....	1.68	.86	5.56	3.88	4.70
Heater.....	3.60	1.06	6.16	2.56	5.11
Average increase, per cent.....				103	565
Puddle mill:					
Roller.....	2.16		2.90	.74	
Scraper.....	2.16		4.10	1.94	
Average increase, per cent.....				62	
General:					
Engineers.....	1.44	.86	3.25	1.81	3.39
Pipe fitters.....	1.27		2.46	1.18	
Mechanics.....	1.16		2.75	1.60	
Labor.....		.57	1.55		.98
Average increase..... per cent.....				118.9	235.6

Authority.—U. S. Daily Consular and Trade Report of November 14, 1908. Foreign Correspondence Reports and British Report of Strikes and Lockouts of 1891; First Report on Wages and Hours of Labor, 1898, and Report on Changes in Rates of Wages, etc., 1907; Present Pay Roll Rates in Effect Mahoning Valley District (Ohio and Pennsylvania).

The lowest cost producing point is generally believed to be for England, the Middlesborough, and for Germany the Lorain and Luxemburg districts, for the reason that all raw materials are mined locally and assembled at small cost. I am informed that the cost of steel-making pig iron for England, at furnaces well located and equipped, is approximately \$9, and Germany, approximately \$8.50. The general average cost in these countries, however, might be \$1 per ton higher. Based on practice in this country and allowing for labor differences, it is estimated that the pig iron can be converted in England at not to exceed \$4.50 and in Germany, \$4, or average cost for billets in England \$14.50 and in Germany \$13.50. The total cost of merchant bars, allowing for general practice and difference in labor rates, for England should be approximately 95 cents and Germany 85 cents per 100 pounds.

To summarize cost results:

	Ohio and Pennsylvania.	Germany.	England.
Steel-making pig iron, per gross ton.....	\$15.63	\$9.50	\$10.00
Steel billets, per gross ton.....	23.07	13.50	14.50
Merchant steel bars, per 100 pounds.....	1.388	.95	.95

OHIO AND PITTSBURGH DISTRICT COSTS.

The actual book costs of the company I represent and a few other large companies, who conduct both mining and manufacturing operations, would be somewhat less, if capital represented in mining was not credited with any mine profits. It would not be fair, however, to the large tonnage represented by pro-

440 DUTIES ON METALS AND MANUFACTURES OF METALS.

ducers of iron and steel who purchase their coal, coke, limestone, and ore to base costs otherwise than on market values of these raw materials. In connection with details of domestic costs, I also submit tables of direct labor costs as compared with duty allowed under the Dingley tariff, foreign selling prices, freight rates to seacoast points, with comparative total costs.

Statement showing direct labor cost from mines to finished product.¹

PIG IRON.

Materials used to 1 ton of product.	Labor per ton of materials used.	Total gross ton labor.	Duty on gross ton product.
Iron ore, 1.97 tons.....	\$0.75	\$1.48	
Coal in coke, 1.33 tons, at \$0.72.....	.96		
Coke, 1.16 tons.....	.38	1.55	
Limestone, 0.66 ton.....	.44	.29	
Direct conversion labor.....	1.06	1.06	
Add labor on steam and water, electric light, laboratory, switching.....	.12	.12	
Total.....		4.50	\$4.00

¹ Labor, coal, and coke expressed in net tons but reduced to gross tons.

LARGE STEEL BILLETS.

Pig iron, 1.23 tons.....	\$4.50	\$5.54	
Cupola material used, 53 per cent of 1.10 tons equals 58.3 per cent, at 51 cents.....		.30	
Direct labor.....		1.38	
Add labor on steam and water, electric light, laboratory, switching.....		.17	
Total.....		7.39	\$6.72

BAR STEEL.

Billets, 1½ tons.....	\$7.39	\$8.31	
Direct labor.....		4.02	
Add labor on steam and water, electric light, laboratory, switching.....		.17	
Total.....		12.50	\$6.72

NOTE.—Salaries of clerks, managers, and superintendents included, but all labor in transportation, supplies, lubrication, refractories, etc., excluded.

Commercial cost Bessemer pig iron.

[Cost basis, current market prices, ore, coke, and limestone at Ohio-Pittsburgh district.]

Cost items.	Price.	Cost per ton, pig iron.
Net total metallic mixture, 1.97 tons.....	\$4.57	\$9.000
Coke, 1.16 tons.....	3.36	3.890
Limestone, 0.66 tons.....	1.09	.720
Labor.....		.938
Steam.....		.068
Materials in repairs and maintenance.....		.128
Supplies and tools.....		.080
Miscellaneous and general works expense.....		.378
General administrative charges.....		.202
Relinings and renewals.....		.220
Total.....		15.634

NOTE.—This cost excludes depreciation and replacement, the charge for which would be not less than 30 cents per ton.

Commercial cost per ton of large Bessemer steel billets.

[Ohio-Pittsburgh district.]

Pig iron	\$15.634
Scrap, 13 per cent at \$11.03	1.484
Total pig and scrap	17.068
Waste	2.081
Cost of pig iron and scrap in billets	19.099
Labor	1.348
Manganese and fluxes	.436
Fuel	.419
Steam	.393
Molds	.233
Rolls	.018
Materials in repairs and maintenance	.209
Supplies and tools	.069
Miscellaneous and general works expense	.332
General administrative charges	.348
Depreciation	.179
Total cost	23.075

Commercial cost per ton of merchant bar steel.

[Ohio-Pittsburgh district.]

Billets	\$23.075
Waste	.919
Cost of billets in bar steel	23.994
Labor	3.986
Fuel	.341
Steam	.511
Rolls	.154
Materials in repairs and maintenance	.293
Supplies and tools	.151
Miscellaneous and general works expense	.615
General administrative charges	.624
Depreciation	.436
Total	31.104
Cost per 100 pounds	1.388

NOTE.—Cost embraces all ordinary sizes.

Foreign selling prices compared with domestic costs delivered United States seaboard.

[Authority: Iron and Coal Trades Review, Dec. 4, 1906; The Ironmonger, Dec. 15, 1908.]

	England.				German.			
	Liverpool.	Freight.	Duty.	Delivered at New York.	Antwerp.	Freight.	Duty.	Delivered at New York.
Pig iron, gross ton	12.48	1.44	4.00	17.92	18.45	1.92	6.72	27.09
Billets	21.90	2.16	6.72	30.78	18.00			28.64
Blooms					17.96			28.60
Slabs					22.72	1.92	6.72	31.36
Bar steel	23.66	2.16	6.72	37.54	1.01	.085	.30	1.40
Bar steel, 100 pounds	1.28	.096	.30	1.68				

Foreign selling prices compared with domestic costs, etc.—Continued.

	England delivered.				German delivered.			
	Gulf ports.		San Francisco.		Gulf ports.		San Francisco.	
	Freight.	Total.	Freight.	Total.	Freight.	Total.	Freight.	Total.
Pig iron, gross ton.....	1.75	18.23	6.25	22.73	1.75	26.92	6.25	31.42
Billets.....	1.75	30.37	6.25	34.87	1.75	28.47	6.25	30.97
Blooms.....	1.75	30.37	6.25	34.87	1.75	28.47	6.25	30.97
Slabs.....	2.00	37.38	7.50	42.88	2.00	31.44	7.50	36.94
Bars.....	.089	1.66	.335	1.91	.089	1.40	.335	1.65
Bars, per 100 pounds.....								

Ohio and Pittsburgh district costs.									
	F. o. b. mill.	Freight.	Deliv- ered at New York.	Delivered at San Francisco.		Delivered at New Orleans.		Delivered at Galveston.	
				Freight.	Total.	Freight.	Total.	Freight.	Total.
Pig iron, gross ton.....	15. 63	2. 45	18. 08	14. 00	29. 63	6. 72	22. 35	9. 63	25. 26
Billets.....	23. 08	2. 60	25. 68	13. 44	36. 52	6. 72	29. 80	(1)	(1)
Blooms.....									
Slabs.....	31. 10	3. 58	34. 68	17. 92	49. 02	6. 72	37. 82	12. 54	43. 64
Bar steel.....	1. 39	. 16	1. 55	. 80	2. 19	. 80	1. 69	. 56	1. 95
Bar steel, 100 pounds..									

¹ No rail rate on billets to Galveston.

NOTE.—Foreign market quotations represent gross prices. If subject "Foreign syndicates rebates" would be reduced by \$3.84 to \$5.52 per ton, and if sold on foreign cost basis, the discount would be increased. Freight rates quoted are steamer rates. Tramp-vessel rates would be from 50 cents to \$1 per ton less, as iron and steel at times is carried as ballast. Present tramp rates to New York, billets, \$1.60; bar steel, \$1.75. These figures clearly indicate that present foreign prices are on an export basis and below cost to many producers in the United States.

TARIFF REVISION.

Which does not fully equalize the difference in cost between England and Germany's lowest producing points and our highest producing sections, and which does not allow for reasonable profits, will not be protective, but will expose the steel and iron industry and its labor to the disastrous effects of dumping, as practiced by foreign syndicates. It should also be remembered in considering domestic costs that many of the smaller producers of iron and steel suffer the very great disadvantage of being confined to one profit, whereas the larger companies enjoy the cumulative profits from the mines to the mills.

A financial writer for the Wall Street Journal, in the December 22, 1908, issue of that paper, makes the following interesting analysis of the profit showing of a number of industrial companies in a graphic manner, illustrating the advantages enjoyed by the large companies, who are fully self-contained, and who produce a diversity of products, and whose profits are augmented by profits from by-products, which many of the smaller operators lose or waste, and who further enjoy the advantages of profit on transportation in assembling of raw materials, and distributing their finished products.

Table showing the net profits after all deductions, excepting dividends, on each ton of steel produced by the United States Steel Corporation, and compared with the net profits of seven independent companies.

Company.	Net profits per ton steel sold.
United States Steel Corporation.....	\$10.20
Independent No. 1.....	2.70
Independent No. 2.....	2.50
Independent No. 3.....	2.97
Independent No. 4.....	4.50
Independent No. 5.....	4.60
Independent No. 6.....	.40
Independent No. 7.....	3.50

In view of the general facts presented, no horizontal reduction in duty should be made, and I recommend that the present duty be maintained on iron ore, pig iron and scrap, billets and slabs, ferromanganese, ingots, steel bars, shafting.

The duty on ferromanganese, in my opinion, may be maintained without injury to steel interests, for revenue purposes, and on the other products for reasons of protection.

The present rate of duty on steel and iron shafting of $\frac{1}{4}$ cent per pound (\$5 net ton) in excess of the duty on bar steel, can not be reduced without loss to labor and capital. The direct labor cost in the manufacture of shafting is approximately \$5.30 per ton, and the total cost for polishing or converting a ton of steel bars to shafting would be approximately \$8.50 per ton for average sizes.

The duty on scrap iron should be retained for the protection of pig iron as a competitive product. Free scrap would also seriously reduce the revenues of all important consumers of finished iron and steel, these consumers producing scrap as a by-product or waste. This loss would particularly effect the railroads and agricultural implement manufacturers.

Reductions may be made, however, on the following items: Bar iron, 10 cents per 100 pounds (\$2 net ton); spikes, 25 cents per 100 pounds (\$5 net ton).

The reduction on bar iron is suggested to correct the present inequality with the steel-bar duty. While bar iron costs more to produce, the reduction proposed will not disturb trade interests. The concession on spikes is suggested because the present rate of duty is more than protective.

On bolts, nuts, and washers I agree with reductions and changes recommended to your committee by Mr. James Lord, president American Iron & Steel Manufacturing Co.

Respectfully submitted.

JOHN A. TOPPING,

Chairman of Republic Iron & Steel Co.

Average earnings of coal miners, northern district.

Tonnage men, per day.....	\$2. 40
Inside mine labor, per day.....	2. 55
Outside labor, per day.....	2. 25
Mechanical men, per day.....	2. 60

Number of men employed and hours worked.

	9 hours.	10 hours.	Total.
Republic.....	354	172	526
Martin.....	140	110	250
Atchison.....	29	16	45
Total.....	523	298	819

Average earnings per man, \$2.38 per day. Present rates, about 5 per cent higher than 1907.

Statement of pay rolls of northern iron mines, Republic Iron & Steel Co., month of December, 1911.

Mine.	Average days per man.	Average men per day.	Total pay roll.	Average per man per day.
Franklin.....	22.3	68	\$4,292.97	\$2.43
Onondaga.....	19.1	19	1,363.78	2.63
Kimsey.....	23.8	130	8,184.77	2.41
Lille.....	24.5	50	3,421.51	2.63
Cambria No. 2.....	26.0	26	1,740.56	2.57
Pettit.....	23.1	15	1,055.39	3.94
Monica.....	21.2	75	5,160.61	2.65
Schley.....	23.8	287	19,511.57	2.62
Union.....	11.0	2	68.44	3.11
Clifford.....	31.0	1	46.50	1.50
Total.....	23.2	673	44,846.10	2.57

Present rates, about 10 per cent higher than 1907.

444 DUTIES ON METALS AND MANUFACTURES OF METALS.

Men employed:

Hall furnace	80
Atlantic furnace	140
Hannah furnace	125
Haselton furnaces	615
Open-hearth works	1, 100
Bessemer plant	1, 800
Brown Bonnell works	1, 850
Mahoning Valley works	900
Shafting works	70
Tube works	865

Total number 6, 545

Average increase in wages May 1, 1910 per cent. 4⁷/₁₆

Present average earnings per day \$2. 84

Number men employed:

8 hours per turn	240
9 hours per turn	9
10 hours per turn	2, 852
11 hours per turn	465
12 hours per turn	3, 479

Total 6, 545

Unions established 12-hour system.

Statement of wages paid by Republic Iron & Steel Co. in Valley district, Jan. 31, 1912.

	Num- ber of men.	Num- ber of hours per day.	Wages per day.	Aver- age wages per day.
Machinists	27	10	\$3. 45	\$3. 20
Do.	16	10	3. 35	
Do.	16	10	3. 30	
Do.	14	10	3. 18	
Helpers	43	10	\$3. 08-1. 90	2. 50
Blacksmiths	3	10	3. 65	
Do.	3	10	3. 50	
Do.	3	10	3. 35	
Do.	2	10	3. 20	3. 26
Do.	3	10	3. 18	
Do.	4	10	3. 08	
Do.	4	10	3. 00	
Helpers	45	10	2. 90-1. 85	2. 25
Pattern makers	1	10	4. 00	
Do.	3	10	3. 75	
Do.	3	10	3. 70	
Do.	2	10	3. 60	2. 85
Helpers	5	10	3. 10-2. 75	
Carpenters	1	10	2. 96	
Do.	2	10	2. 90	
Do.	2	10	2. 85	2. 66
Do.	10	10	2. 80	
Do.	2	10	2. 75	
Do.	1	10	2. 70	
Do.	7	10	2. 65	2. 61
Do.	3	10	2. 60	
Do.	2	10	2. 55	
Do.	10	10	2. 50	
Do.	3	10	2. 38	2. 05
Helpers	78	10	2. 35-1. 85	
Pipe fitters	7	10	2. 80	
Do.	4	10	2. 62	
Do.	13	10	2. 60	2. 61
Do.	3	10	2. 55	
Do.	8	10	2. 50	
Do.	34	10	2. 12-1. 85	
Helpers	1	10	3. 25	1. 96
Boiler makers	1	10	3. 22	
Do.	18	10	3. 10	
Do.	5	10	2. 90	
Do.	6	10	2. 80	2. 90
Do.	2	10	2. 65	
Do.	1	10	2. 60	

DUTIES ON METALS AND MANUFACTURES OF METALS. 445

Statement of wages paid by Republic Iron & Steel Co. in Valley district, Jan. 31, 1912—
Continued.

	Num- ber of men.	Num- ber of hours per day.	Wages per day.	Aver- age wages per day.
Helpers	44	10	\$2.50-1.85	\$2.15
Masons, bricklayers, etc.	29	10	4.30	
Do.	1	10	3.90	4.59
Do.	1	10	3.70	
Helpers	48	10	2.75-1.85	2.20
Roll turners	26	9½	3.80	3.80
Helpers	2	9½	3.16	
Do.	1	9½	2.85	3.06
Molders	8	9	3.30	
Do.	1	9	3.10	3.28
Helpers	4	9	2.85-1.80	2.35
Molders	4	10	2.85	2.85
Riggers	1	10	2.50	
Do.	8	10	2.40	
Do.	1	10	2.30	
Do.	1	10	2.25	2.13
Do.	50	10	2.12½	
Do.	18	10	2.10	
Do.	8	10	1.85	
Electricians, shops	1	10	3.45	
Do.	3	10	3.30	
Do.	5	10	3.17½	3.19
Do.	1	10	2.95	
Do.	1	10	2.90	
Helpers	7	10	2.65-2.10	2.35
Motor and light inspectors	2	12	3.60	
Do.	2	12	3.00	2.82
Do.	22	12	2.76	
Do.	8	12	2.75	
Do.	22	12	2.52-2.25	2.40
Linemen	1	10	2.65	
Do.	1	10	2.50	
Do.	7	10	2.32½	2.33
Do.	12	10	2.30	
Helpers	21	10	1.87½-1.85	1.86
Cranemen	8	12	3.65	
Do.	4	12	3.25	
Do.	2	12	3.00	3.05
Do.	4	12	2.60	
Do.	5	12	2.52	
Do.	2	12	2.50	
Do.	74	12	2.40-2.10	2.25
Switchboard	2	12	2.76	
Do.	4	12	2.40	2.45
Do.	2	12	2.25	
Larry operators	4	12	2.52	
Do.	4	12	2.04	2.28
Millwrights	2	10	3.45	
Do.	1	10	3.10	
Do.	1	10	3.00	2.99
Do.	2	10	2.85	
Do.	1	10	2.65	
Do.	1	10	2.60	
Helpers	20	10	2.45-1.90	2.15
Millwrights	1	12	3.24	
Do.	2	12	3.20	
Do.	1	12	3.15	
Do.	1	12	3.00	2.36
Do.	2	12	2.95	
Do.	16	12	2.80	
Do.	8	12	2.67	
Do.	2	12	2.65	
Helpers	53	12	2.64-2.25	2.45
Boiler plant:				
Water tenders	2	12	2.52	
Do.	8	12	2.45	
Do.	6	12	2.40	
Do.	4	12	2.37	2.40
Do.	4	12	2.35	
Do.	4	12	2.32	
Do.	2	12	2.22	
Do.	4	12	2.20	
Firemen	4	12	2.28	
Do.	40	12	2.12	2.10½
Do.	36	12	2.10	
Do.	18	12	2.04	

¹ Haselton furnaces.

446 DUTIES ON METALS AND MANUFACTURES OF METALS.

Statement of wages paid by Republic Iron & Steel Co. in Valley district, Jan. 31, 1912—
Continued.

	Num- ber of men.	Num- ber of hours per day.	Wages per day.	Aver- age wages per day.
Boiler plant—Continued.				
Boiler cleaners.....	2	12	\$3.00	\$2.19
Do.....	2	11	2.75	
Do.....	2	13	2.47	
Do.....	2	13	2.21	
Do.....	14	12	2.10	
Do.....	1	10	2.20	
Do.....	7	10	1.90	1.85
Helpers.....	9	10	1.80-1.70	
Engineers:				
Stationary.....	1	10	2.90	2.77½
Do.....	2	10	2.80	
Do.....	1	10	2.60	2.35
Do.....	9	10	2.50-2.10	
Do.....	3	8	4.50	3.14
Do.....	2	12	3.90	
Do.....	1	12	3.50	
Do.....	15	12	3.15	
Do.....	4	12	3.00	
Do.....	2	12	2.98	
Do.....	8	12	2.85	
Do.....	4	12	2.82	
Do.....	2	12	2.80	
Do.....	2	12	2.75	
Do.....	28	12	2.70-2.50	2.60
Locomotive (standard).....	6	12	8.25	2.78
Do.....	6	12	2.30	
Locomotive (narrow gauge).....	27	12	2.74	2.63
Do.....	9	12	2.29	
Blast furnaces:				
Bottom fillers.....	72	12	2.35	2.36
Bottom fillers' helpers.....	42	12	2.04	
Top fillers.....	32	12	2.60	
Keepers.....	14	12	2.85	
Keepers' helpers.....	16	12	2.35	
Bessemer plant:				
Cupolas—				
Metal wheelers.....	30	8	3.50	3.37
Metal loaders.....	30	8	3.20	
Coke wheelers.....	6	8	4.20	
Holst men.....	2	12	4.36	
Top chargers.....	2	12	4.36	
Iron tappers.....	18	8	3.66	
Iron pourers.....	6	8	3.18	
Converting mill—				
Vessel men.....	9	8	4.66	4.68
Steel pourers.....	3	8	5.57	
Stopper setters.....	3	8	4.24	
Ladle liners.....	2	12	4.30	
Bottom makers.....	2	12	4.78	
Blowers.....	2	12	4.83	
Regulators.....	4	12	5.26	
Stripper men.....	2	12	3.08	
Mills—				
Heaters.....	2	12	6.82	4.50
Bottom makers.....	2	12	5.12	
Rollers.....	3	8		
Do.....	2	12	6.14	
Manipulators.....	3	8	4.54	
Do.....	2	12	3.35	
Guide setters.....	2	12	3.00	
Do.....	2	12	3.25-3.20	
Do.....	1	12	3.25	
Flying shears.....	3	12	2.90-2.99	
Gas makers				
Do.....	2	12	2.87	2.69
Do.....	1	12	2.41	
Do.....	4	12	2.38	
Do.....	8	12	2.30	
Do.....	31	12	2.18	
Laborer.....	1	10	1.70	1.70

1 Bessemer bloom mill.
2 Open-hearth bloom mill.

3 Engines.
4 Firemen.

5 Engineers.
6 Conductors.

Statement of wages paid by Republic Iron & Steel Co. in Valley district, Jan. 31, 1912—
Continued.

	Num- ber of men.	Num- ber of hours per day.	Wages per day.	Aver- age wages per day.
Open-hearth works:				
Open-hearth department—				
Melter.....	2	12	\$10.00	.....
First helper.....	8	12	5.25	.....
Second helper.....	8	12	3.30	.....
Steel pourer.....	2	12	2.90	.....
Nozzle setter.....	2	12	2.50	.....
Stopper makers.....	1	12	2.50	.....
Mills—				
Heaters.....	4	12	5.35	.....
Bottom maker.....	2	12	3.15	.....
Rollers.....	5	12	5.75	.....
Manipulator.....	2	12	3.65	.....
Guide setters.....	4	12	3.35	.....
Flying shears.....	2	12	3.00	.....
Finishing department:				
Plate and continuous mills—				
Heaters.....	2	12	5.00-5.45	\$5.23
Rollers.....	3	12	6.00-10.00	8.67
Screw man (plate).....	1	12	6.40	.....
Shearman (plate).....	2	12	5.70-7.50	6.62
Rougher (continuous).....	1	12	2.95	.....
Guide setter (continuous).....	1	12	3.10	.....
Shearman (continuous).....	1	12	2.85	.....
Rolling mills:				
Muck mills—				
Rollers.....	96	12	3.31	3.31
Scrappers.....	51	8	3.90	3.90
Finishing mills—				
Heaters.....	40	12	4.50-10.00	7.50
Rollers.....	25	12	6.00-20.00	11.14
Roughers.....	66	12	2.50-6.00	3.25
Catchers.....	21	12	4.00-9.00	5.00
Roll crews.....	220	12	1.00-4.00	2.50
Spike and washer factories:				
Spike cutters.....	12	12	2.00-2.50	2.40
Operator.....	6	12	2.00-2.50	2.40
Feeder.....	6	12	1.90-2.30	2.25
Washer cutters.....	7	12	2.50-3.00	2.75
Shafting works:				
Pointer.....	2	10	1.80	1.91
Pickler.....	1	10	1.90	
Drawing machines.....	2	10	2.00	
Do.....	4	10	1.90	
Straightening (flyer).....	2	10	2.10	1.91
Do.....	2	10	1.90	
Do.....	5	10	1.80	
Cutting-off machines.....	1	10	1.95	
Do.....	5	10	1.90	1.91
Do.....	6	10	1.80	
Straighteners (finished).....	1	10	2.85	
Do.....	1	10	2.35	
Do.....	1	10	2.25	1.91
Die maker.....	1	10	2.75	
Shippers.....	15	10	1.80	
Tube works:				
Socket shop—				
Welders.....	12	10	2.75	2.28
Mandrel.....	2	10	2.25	
Tappers.....	10	10	1.90	
Do.....	4	10	1.70	
Top setter.....	2	10	2.50	2.06
Automobile machine operator.....	1	10	2.50	
Butt-weld furnace—				
Welders.....	2	10	4.50	
Bell boys.....	6	10	1.70	2.06
Hook runners.....	8	10	1.75	
Rollers.....	4	10	1.75	
Roll setters.....	2	10	2.35	
Bell gauges.....	2	10	2.10	2.65
Lap-weld furnace—				
Benders.....	2	10	2.75	
Buggy boys.....	2	10	1.80	
Welders.....	2	10	6.00	
Turn downs.....	2	10	3.00	2.65
Take-offs.....	2	10	2.00	
Roll setters.....	2	10	3.00	
Bell gauges.....	2	10	2.00	
Straighteners.....	4	10	2.00	2.65
Inspectors.....	2	10	2.00	

Statement of wages paid by Republic Iron & Steel Co. in Valley district, Jan. 31, 1912—
Continued.

	Number of men.	Number of hours per day.	Wages per day.	Average wages per day.
Tube works:				
Butt-weld threading—				
Die setters.....	2	10	\$2.25	\$2.34
Cutters.....	48	10	2.48	
Inspectors.....	1	10	3.00	
.....	4	10	2.25	
Testers.....	4	10	1.80	2.15
Bundlers.....	4	10	2.00	
Toolmen.....	2	10	2.00	
Lap-weld threading—				
Die setters.....	2	10	2.25	2.15
Cutters.....	24	10	2.65	
Testers.....	6	10	2.00	
Inspectors.....	3	10	2.50	
Socket machines.....	3	10	2.00	1.90
Sawyers.....	4	10	1.80	
Pipe beller.....	1	10	2.00	
Galvanizing department—				
Picklers.....	2	10	2.25	1.90
Pickler helpers.....	2	10	2.00	
Potmen.....	2	10	2.25	
Dragouts.....	8	10	1.80	
Rollers.....	4	10	1.70	

**TWELFTH ANNUAL REPORT OF REPUBLIC IRON & STEEL CO., YOUNGSTOWN, OHIO,
FOR THE FISCAL YEAR ENDING JUNE 30, 1911.**

Executive offices: 17 Battery Place, New York.

General offices: Republic Building, Youngstown, Ohio.

Principal office in the State of New Jersey: 15 Exchange Place, Jersey City.

Registrar of transfers: Chase National Bank, New York.

Transfer agent: The New York Trust Co., New York.

Directors.—Term expiring 1911: Edward J. Berwud, Harry Brouner, Charles G. Gates, Grant B. Schley.

Term expiring 1912: G. Watson French, James Campbell, John F. Harris, Thomas J. Bray.

Term expiring 1913: John A. Topping, John Lambert, Earl W. Oglebay, Andy Monell.

Officers.—John A. Topping, chairman; Thomas J. Bray, president; Harry L. Rownd, vice president and treasurer; Richard Jones, jr., secretary; Simpson, Thacher & Bartlett, general counsel.

Executive committee.—John A. Topping, Grant B. Schley, Andy Monell, John Lambert, James Campbell.

To the stockholders of the Republic Iron & Steel Co.:

The executive committee submits herewith its twelfth annual report of operations for the fiscal year ending June 30, 1911, together with a financial statement and general report on the condition of the property at the close of that year.

INCOME.

The net income for the year may be regarded as satisfactory considering the general condition of business that prevailed. Substantial increases in profits would have been realized under normal trade conditions, on account of increased producing capacity and by reason of improvements in methods and practice.

The net profits were also reduced by an increase in fixed charges incident to financing the construction of the new steel works and blast furnace, which did not contribute to gross income as these improvements were not operated during the year, on account of their incomplete state.

While the gross volume of business, as compared with the preceding year, shows substantial shrinkage, no curtailment of expenditures for maintenance and repairs was made, and full charges were maintained for depreciation, ex-

tinguishment, and for the general provisional funds, as will be noted by reference to the statements incorporated in this report.

The net profits from operations for the year were \$3,008,934.42, as compared with \$3,325,521.87 the year preceding.

The net surplus after payment of interest on bonds and notes and the full 7 per cent dividend on the preferred stock was \$672,519.63. Total surplus as of June 30, 1911, being \$5,362,445.85, as compared with \$4,954,660.54 for the preceding year.

Net current assets now stand at \$10,729,102.80.

The new steel works and additional blast furnace capacity is now in operation and will materially add to the production of steel and pig iron. In addition to these recently completed improvements, there will be ready for operation during the next six months a new sheared plate mill and a modern continuous merchant mill, which will not only add to the diversity of product but increase the finishing capacity and should make substantial additions to the profit account. All these new items of construction are fully financed.

Income account and statement of surplus for the year ending June 30, 1911.

Net earnings from operations, after deducting charges for maintenance and repairs of plants amounting to \$1,313,162.25-----	\$3, 758, 698. 20
Interest and dividends received-----	86, 302. 12
Total profits for the year-----	3, 845, 000. 32
Less:	
Provision for depreciation and renewal of plans.....	\$600, 254. 56
Provision for exhaustion of minerals-----	235, 811. 34
	836, 065. 90
Net profits for the year-----	3, 008, 934. 42
Deduct:	
Interest on bonds-----	586, 414. 79
Dividend on 7 per cent cumulative preferred stock-----	1, 750, 000 00
	2, 336, 414. 79
Surplus for the year-----	672, 519. 63
Add surplus at July 1, 1910-----	4, 954, 660. 54
	5, 627, 180. 17
Deduct discount and expense in connection with the new issue of mortgage bonds-----	264, 734. 32
Net surplus carried to balance sheet-----	5, 362, 445. 85
Net profits applicable to dividends-----	2, 422, 519. 63

FINANCIAL REPORT.

Represents a combined balance sheet for the year ending June 30, 1911. The net balance of quick assets as of June 30, 1911, as compared with June 30, 1910, shows a substantial reduction in amount, on account of payments made during the year against new construction; the present net balance, however, of \$10,729,102.80 is ample to cover working capital necessities and to carry through to completion all incomplected contracts on account of construction.

Balance sheet June 30, 1911.

ASSETS.

Capital assets:	
Cost of properties July 1, 1910-----	\$58, 212, 414. 68
Additions for the year ending June 30, 1911-----	5, 988, 858. 14
	64, 151, 272. 82
Investments:	
In Potter Ore Co-----	\$401, 000. 00
In other companies-----	529, 852. 09
	930, 852. 09
Total capital assets-----	65, 082, 124. 91

450 DUTIES ON METALS AND MANUFACTURES OF METALS.

Cash deposited with trustee for redemption of first mortgage 5 per cent gold bonds in addition to bonds of a par value of \$2,139,000 retired in terms of the trust deed per contra-----	\$48,495.76
Current assets:	
Inventory of manufactured products, material and supplies on hand at or below cost-----	\$7,068,333.73
Ore contract payments represented by ore at docks-----	686,254.79
Accounts and bills receivable after deducting reserve for bad and doubtful accounts----	3,245,775.42
Cash-----	3,173,082.25
Total current assets-----	14,173,446.19
Deferred charges to operations: Expenditure for stripping at mines, advanced royalties, etc., chargeable to future operations--	819,863.83
Net current assets, \$10,729,102.80.	80,124,030.69
LIABILITIES.	
Capital stock:	
Common—273,520 shares of \$100 each-----	\$27,352,000.00
Less in treasury-----	161,000.00
Preferred 7 per cent cumulative—250,000 shares of \$100 each-----	\$27,191,000.00
25,000,000.00	
Total capital stock outstanding-----	52,191,000.00
First mortgage 5 per cent gold bonds:	
Total issue-----	\$10,000,000.00
Deduct deposited with trustee and canceled-----	2,139,000.00
7,861,000.00	
Less deposited with trustee of the 10-30 year 5 per cent sinking-fund bonds in exchange for bonds of that issue-----	6,206,000.00
Balance outstanding-----	1,655,000.00
Less purchased and held in treasury-----	10,000.00
1,645,000.00	
Ten to 30 year 5 per cent sinking-fund mortgage gold bonds (total authorized issue, \$25,000,000.00):	
Total issued-----	\$11,730,000.00
Less in treasury-----	\$681,000.00
Purchased for sinking fund-----	294,000.00
975,000.00	
10,755,000.00	
Haselton property mortgage notes (to retire which a like amount of 10-30 year bonds are reserved)-----	1,475,000.00
Potter Ore Co. bonds, \$641,000 outstanding first mortgage 5 per cent bonds guaranteed jointly with Tennessee Coal, Iron & Railroad Co., less that company's proportion-----	320,500.00
Bonds and notes outstanding on the Martin Coke Works property-----	373,382.40
Funds:	
For exhaustion of minerals-----	1,394,379.80
For depreciation and renewal of plants-----	1,418,240.44
For relining furnaces-----	257,118.07
For fire and accident insurance-----	436,893.50
For contingencies-----	114,937.24
3,621,569.05	
Dividend warrants payable in equal annual installments from Oct. 1, 1911 to 1915, inclusive-----	935,790.00
Current liabilities:	
Accounts and bills payable-----	\$2,483,791.06
Ore contract balances representing cash received in excess of the value of ore shipped to customers-----	210,801.23

Current liabilities—Continued.

Taxes accrued	\$132,351.05
Interest accrued	177,154.30
Dividends payable, 1½ per cent on preferred stock payable July 1, 1911.....	\$437,500.00
Unclaimed dividends	2,745.75
	<u>440,245.75</u>

Total current liabilities	\$3,444,343.39
Surplus balance June 30, 1911, as per attached statement	5,362,445.85
	<u>80,124,030.69</u>

INVENTORIES.

Inventory was taken on a basis of cost for the manufactured products and not to exceed market prices for products purchased, so that all depreciation in value has been absorbed and deducted from profit and loss.

Classification.	'As of June 30, 1911.	As of June 30, 1910.	As of June 30, 1909.	As of June 30, 1908.	As of June 30, 1907.
Finished product.....	\$1,185,637.68	\$970,990.83	\$514,447.84	\$438,623.23	\$518,301.23
Pig iron	599,661.98	377,282.15	325,019.58	308,355.87	361,163.29
Puddle-mill products.....	122,522.00	100,797.04	159,008.18	63,066.84	69,935.39
Billets, blooms, slabs, etc	409,956.23	276,861.77	312,558.21	376,548.97	184,645.21
Ores.....	2,815,000.21	3,012,383.69	1,989,122.66	2,373,336.95	1,907,119.06
Scrap.....	856,926.46	337,548.00	562,661.00	296,686.88	370,219.18
Ferromanganese	23,784.94	18,155.74	6,769.62	15,474.40	80,195.40
Fuel.....	211,392.16	232,770.67	127,840.56	98,279.32	108,304.23
Rolls, molds, and stools.....	62,678.96	47,616.74	52,749.75	60,191.74	72,282.97
Stores.....	619,505.25	509,960.84	348,503.30	244,586.50	447,036.84
Commissary supplies.....	43,740.62	49,820.71	50,543.13	55,851.04	95,933.20
Miscellaneous.....	117,537.15	85,864.12	109,268.71	116,997.46	63,007.05
	<u>7,068,333.73</u>	<u>6,020,052.30</u>	<u>4,558,512.54</u>	<u>4,547,999.20</u>	<u>4,278,163.05</u>

WORKING CAPITAL.

The following statement covers items affecting working capital from organization of the company to June 30, 1911, and is followed by comparative statement of net working assets, as shown by the books of the company, as at June 30, 1907, 1908, 1909, 1910, and 1911:

Working capital, May 3, 1899	\$6,500,000.00
Collateral note issue, Oct. 1, 1904.....	7,000,000.00
Bond issue, Oct. 1, 1904.....	10,000,000.00
Preferred capital stock sold	110,000.00
Ten to 30 year 5 per cent sinking-fund mortgage gold bonds.....	11,049,000.00
Mortgage notes on Haselton property	1,475,000.00
Additional preferred stock issued	4,583,100.00
Amounts reserved out of the profits for depreciation and re- newals, insurance, and contingencies.....	3,621,569.05
Net profits May 31, 1899, to June 30, 1911.....	23,281,382.72
	<u>67,620,051.77</u>

Expended:

Dividends on preferred stock.....	\$16,983,146.87
Collateral notes canceled.....	7,000,000.00
Bonds retired.....	8,649,000.00
Bond sinking fund	48,495.76
Securities purchased	610,352.09
Prepaid royalties, mining expense, etc.....	819,963.83
New construction.....	21,028,721.07
Property and plants.....	1,751,209.35
	<u>56,890,948.97</u>
Net working assets, as per balance sheet.....	<u>10,729,102.80</u>

452 DUTIES ON METALS AND MANUFACTURES OF METALS.

Consisting of:

Inventory	\$7,068,333.73
Ore contract payments.....	686,254.79
Accounts and bills receivable.....	3,245,775.42
Cash	3,173,082.25

14,173,446.19

Less current liabilities..... 3,444,343.39

Balance net assets.....\$10,729,102.80

Comparative statement of net working assets.

Current assets.	1911	1910	1909	1908	1907
Inventory.....	\$7,068,333.73	\$6,020,052.30	\$4,558,512.54	\$4,547,999.20	\$4,278,143.06
Ore contract payments.....	686,254.79	796,844.68	720,884.57	800,906.14	
Accounts and bills receivable.....	3,245,775.42	3,789,193.59	3,045,822.22	2,368,248.24	4,764,039.31
Cash.....	3,173,082.25	5,137,742.33	1,630,144.98	667,963.44	1,696,326.16
	14,173,446.19	15,743,832.90	9,955,364.31	8,385,117.02	10,737,508.63
Less current liabilities.....	3,444,343.39	2,958,242.36	2,145,463.19	1,671,296.39	4,005,591.39
Net working assets.....	10,729,102.80	12,785,590.54	7,809,901.12	6,713,820.63	6,731,917.13

Comparative statement of earnings and disposition of income.

	Gross profits.	Depreciation and charges.	Net profits.	Regular dividend.	Amount carried to surplus.	Amount specially written out of surplus.	Balance surplus account.
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
July 1, 1906 to June 30, 1907....	5,027,741.84	1,296,496.44	3,729,245.40	1,429,183.00	2,300,062.40	1,633,352.00	3,709,994.13
July 1, 1907 to June 30, 1908....	3,046,618.84	1,075,196.76	1,971,420.08	1,071,887.25	899,532.83		4,609,526.96
July 1, 1908 to June 30, 1909....	2,760,147.23	1,139,801.04	1,629,346.19	406,338.00	1,221,008.19		5,920,526.15
July 1, 1909 to June 30, 1910....	4,227,368.96	1,324,453.55	2,902,915.41	1,669,795.75	1,233,119.66	2,196,994.27	4,954,660.54
July 1, 1910 to June 30, 1911....	3,845,000.32	1,422,480.69	2,422,519.63	1,750,000.00	672,519.63	264,734.32	5,362,445.85

NOTE.—The item of repairs and maintenance, published in annual reports previous to June 30, 1910, was included in the total of gross profits and deducted from the gross earnings under the combined heading "Depreciation and charges." Gross profits are now shown as indicated on the income report, and the item of repairs and maintenance appears elsewhere in this report.

GROSS VOLUME OF BUSINESS.

The gross volume of business for the year ending June 30, 1911, as compared with the year ending June 30, 1910, shows a substantial decrease in total value, which is explained by price reductions and curtailment in demand on account of disturbed business conditions, the declines in prices affecting all products.

For comparative purposes the following details will be of interest:

	Total value.
Year ending June 30, 1907.....	\$31,227,428.56
Year ending June 30, 1908.....	18,693,881.80
Year ending June 30, 1909.....	19,595,944.15
Year ending June 30, 1910.....	28,296,265.97
Year ending June 30, 1911.....	24,071,771.82

PROVISIONAL FUNDS.

The purpose of the various provisional funds and the policy of accounting affecting their maintenance and disposition was fully explained in the last annual report. This policy has been rigorously maintained during the year, as will be noted by the statements following, showing the present condition of these various funds:

Comparative statement of annual charges to cost of production and deductions from profits for repairs and maintenance, depreciation, and other provisional funds.

Year ending—	Repairs and maintenance.	Charges for depreciation and renewal of plants.	Total.	Provision for exhaustion of minerals.
June 30, 1907.....	\$1,100,000.00	\$682,931.51	\$1,782,931.51	\$151,402.42
June 30, 1908.....	1,000,071.00	519,199.76	1,519,240.76	118,729.00
June 30, 1909.....	887,654.36	526,737.72	1,414,392.08	199,584.43
June 30, 1910.....	1,274,580.31	607,581.90	1,882,162.21	294,265.19
June 30, 1911.....	1,318,162.25	600,254.56	1,918,416.81	235,811.34

Provisional funds.

	For depreciation and renewal of plants.	For exhaustion of minerals.	For relining furnaces.	For fire and accident insurance.	For contingencies.
As of June 30, 1911.....	\$1,418,240.44	\$1,394,379.80	\$257,118.07	\$436,893.50	\$114,937.24

NEW CONSTRUCTION AND PROPERTY ADDITIONS.

Additions to the property account during the year aggregated \$5,938,858.14. The total new construction to date, June 30, 1911, is—

Northern district:

Blast furnaces.....	\$3,975,135.37
Bessemer steel plant.....	3,347,866.44
Open-hearth steel plant.....	4,325,111.12
Tube works.....	1,077,166.25
Rolling mills.....	2,134,257.52
Coke plants.....	1,040,241.71
Northern mines.....	1,321,776.55
General office building.....	138,372.04

Total, northern district..... 17,359,927.00

Southern district:

Blast furnaces.....	1,809,954.48
Coke ovens at blast furnaces.....	176,917.54
Tenant houses at blast furnaces.....	58,341.07
Rolling mills.....	114,916.06
Mines and coke ovens.....	1,381,594.47
Limestone quarries.....	127,070.46

Total, southern district..... 3,668,794.07

Grand total..... 21,028,721.07

Summarized comparative statement of property account.

Year ending—	New construction.	Property additions.	Property sold.	Unexpended balance of provision for depreciation and renewals.	Net balance of property account.
June 30, 1907.....	\$1,978,797.37	\$132,717.35	\$72,755.45	.....	\$53,062,152.80
June 30, 1908.....	837,142.71	298,992.13	80,098.61	\$150,000.00	53,998,189.08
June 30, 1909.....	266,913.61	40,343.05	147,070.33	306,413.00	53,851,962.36
June 30, 1910.....	2,736,867.14	927,550.68	10,378.50	312,708.13	57,198,298.55
June 30, 1911.....	5,934,262.45	14,820.69	10,225.00	399,119.31	62,733,032.38

PRICE, WATERHOUSE & Co.,
 CHARTERED ACCOUNTANTS,
 54 WILLIAM STREET,
New York, August 3, 1911.

To the DIRECTORS OF THE REPUBLIC IRON & STEEL CO.:

We have examined the books and accounts of the Republic Iron & Steel Co. for the year ending June 30, 1911, and find that the balance sheet at that date and the relative income account are correctly prepared therefrom.

During the year only actual additions have been charged to property account and sufficient provision has been made for depreciation and exhaustion of minerals.

The inventories of stocks on hand, as certified by the responsible officials, have been carefully and accurately valued at or below cost; full provision has been made for bad and doubtful accounts and bills receivable and for all ascertainable liabilities; and we have verified the cash and securities by actual inspection or by certificates from the depositaries.

The deferred charges represent expenditures reasonably and properly carried forward to the operations of subsequent years.

We certify that in our opinion the balance sheet is properly drawn up so as to show the true financial position of the company on June 30, 1911, and that the relative income account is a fair and correct statement of the net earnings for the fiscal year ending at that date.

PRICE, WATERHOUSE & Co.

BLAST FURNACES.

At the furnaces no large improvements were authorized during the year, but all plants have been kept in good physical condition. A new gas washer has been installed at Pioneer furnace, No. 3, south, and a new hot-blast stove has been authorized at Haselton furnace No. 1. The new blast furnace, known as Haselton No. 4, mentioned in the last annual report, was put in blast in June of this year, the blowing in of this furnace having been delayed somewhat by reason of business conditions and poor demand for pig iron. Comparative figures for pig-iron production are as follows:

Year ending—	Pig-iron production.	Gross tons.
June 30, 1907.....		614,954
June 30, 1908.....		494,676
June 30, 1909.....		678,799
June 30, 1910.....		793,962
June 30, 1911.....		850,863

FURNACE CAPACITY.

There has been no change in the theoretical capacity of the blast furnaces, which is as follows:

	Tons.
Northern district.....	870,000
Southern district.....	300,000
Total	1,170,000

BESSEMER STEEL WORKS.

There have been no large expenditures made during the year at the Bessemer Steel Works, this plant being already equipped with modern labor-saving devices and it only being necessary to keep the plant in good physical condition to insure maximum tonnage. Owing to the light demand for its product, the production shows a decrease, the comparative figures being as follows:

Production, Bessemer Steel Works.

Year ending—	Ingots.	Billets, slabs, and sheet bar.
	<i>Gross tons.</i>	<i>Gross tons.</i>
June 30, 1907.....	546, 645	458, 251
June 30, 1908.....	341, 985	303, 325
June 30, 1909.....	453, 430	427, 531
June 30, 1910.....	681, 884	606, 531
June 30, 1911.....	597, 991	534, 537

OPEN-HEARTH STEEL WORKS.

In the last annual report the company's new open-hearth steel plant was described consisting of a mixer, eight 60-ton open-hearth furnaces, a blooming and slabbing mill, and a combination continuous sheet bar and billet mill. Work on this plant was actively prosecuted during the year and it was put in operation in June, 1911. Owing to the light demand for steel there was some delay in starting it, but at the present time it is operating to about 75 per cent of capacity. While the plant has been in operation only a short time the results so far shown indicate that the estimated full production of 80,000 tons of ingots per month, given in the last annual report, will in a few months be exceeded. As there was only about two weeks' operation of this plant during the fiscal year no production figures are given.

ROLLING MILLS AND FACTORIES.

Under date of November 4, 1910, the construction of a 14-16 inch continuous bar mill was authorized by the executive committee. This mill will have an estimated capacity of about 100,000 tons per annum of bars, structural material, and skelp, the site chosen being adjacent to the company's new open-hearth plant. It is not expected that this mill will add much to the rolling capacity of the company's plants, but it will take care of, in an efficient manner and at lower costs, the material now being rolled on old inefficient hand mills. This mill is now well on toward completion, and it is expected to be in operation early in October of this year.

Under date of January 17, 1911, the construction of a 90-inch sheared plate mill was authorized by the executive committee. This mill will have a capacity of about 5,500 tons per month and will provide sheared plates for the larger sizes of pipe which are being made in the company's tube works, as well as for the general trade. It is estimated that the plate mill will be in operation in November, 1911. No other important changes have been made at the rolling mills and factories except that there has been a continuation of the company's policy to keep the plants up to the highest state of efficiency, which involves also putting in new machinery and equipment at all points where substantial savings in cost can be obtained. The annual production as given below shows a decrease on account of business conditions:

Annual production—finished and semifinished products.

Year ending—	Tons.
June 30, 1907.....	804, 360
June 30, 1908.....	434, 230
June 30, 1909.....	565, 151
June 30, 1910.....	827, 515
June 30, 1911.....	684, 553

IRON-ORE MINES.

Exploration and development of the ore properties of the company, both north and south, has been continued during the year. A further increase in the company's ore reserves has resulted from this work. At the northern ore mines recent drilling has developed additional ore bodies at the Onondaga and Franklin mines. At the Kinney mine the old shaft has been abandoned because of its interference with stripping operations and a new shaft is being sunk on an adjoining 40 acres, leased for that purpose. At the Union mine, 50 per cent of which is owned by this company, stripping operations have been continued any by early winter the entire ore body will be stripped. At the Bray mine a new boiler house, machine shop, and coal docks have been erected. At the Lillie mine a new shaft has been sunk to reach an ore body not available from the old shaft.

At the southern ore mines recent drilling at Tannehill and Houston mines has developed additional ore. At the Raimund division new tenement houses have been erected and the reconstruction work completed. As of June 30, 1911, there was in stock at the Pioneer furnaces, south, 25,000 tons of brown ore and 75,000 tons of red ore, as a reserve supply to insure regular operations at these furnaces.

At all of the ore mines, both north and south, every practical precaution is being taken against accidents. While operations at the ore mines, both north and south, have been restricted to blast-furnace requirements, the following table of production during the past four years shows a fairly good operation during the past year, and it is believed that the operating efficiency of the ore mines has never been so great as at present. Comparative figures are as follows:

<i>Ore production.</i>		Gross tons.
Year ending:		
June 30, 1907	-----	947, 069
June 30, 1908	-----	1, 025, 490
June 30, 1909	-----	1, 451, 434
June 30, 1910	-----	2, 050, 224
June 30, 1911	-----	1, 861, 185

ORE RESERVES.

Reserves of ore, as estimated, are indicated by the following comparative figures for the past five years, showing a further increase, notwithstanding the year's consumption:

Year ending --	North.	South.	Total.
			<i>Gross tons.</i>
June 30, 1907	31, 556, 500	89, 041, 800	120, 598, 300
June 30, 1908	35, 427, 796	88, 685, 439	124, 113, 235
June 30, 1909	36, 233, 140	88, 976, 100	125, 209, 240
June 30, 1910	38, 909, 693	88, 451, 383	127, 361, 076
June 30, 1911	38, 812, 467	88, 668, 581	127, 471, 048

COAL AND COKE PROPERTY.

Development and improvement of the coal and coke properties, both north and south, has been continued during the year. At the Northern Coal & Coke properties 50 additional coke ovens have been completed and 12 double tenement houses erected at the Martin works. At the Republic works a new air shaft for ventilating the mine is in the course of construction.

At the Southern mines a number of minor improvements have been made, consisting of additional electric haulage equipment, reconstruction of tippie, and purchase of additional surface rights at the Sayreton mine. At the Warner mine the washer has been reconstructed and additional mine cars and electric equipment installed.

Every practical precaution against accidents is being taken, both north and south, and schools of instruction in first aid and rescue work are being maintained. The operating efficiency of the coal and coke properties was never so great as at present. While production at all the coal and coke properties has been restricted to blast-furnace requirements, the following table of production during the past four years shows a material increase in the amount of coke

produced during the fiscal year. Comparative figures of production are as follows:

Coke production.

Year ending:	Tons.
June 30, 1907.....	521,561
June 30, 1908.....	428,963
June 30, 1909.....	592,664
June 30, 1910.....	670,018
June 30, 1911.....	723,859

Coking capacity.

	Number of ovens.	Tons per annum.
Northern district:		
Gans.....	138	
Republic.....	400	
Martin.....	246	
	784	548,800
Southern district:		
Thomas.....	910	
Warner.....	100	
	1,010	606,000
Grand total.....	1,794	1,154,800

Coal reserves.

	1907	1908	1909	1910	1911
Coking coal:					
Northern district.....	13,612,100	13,350,928	24,612,462	24,190,440	22,723,098
Southern district.....	92,338,809	91,760,807	91,040,197	65,048,374	66,074,382
Total.....	105,950,900	105,111,735	115,652,659	89,238,716	88,797,478
Steam coal:					
Northern district.....	12,500,000	12,500,000	16,818,210	16,818,210	16,818,210
Southern district.....	81,203,400	81,203,400	81,203,400	57,974,480	15,665,820
Total.....	93,703,400	93,703,400	98,021,610	74,792,690	32,484,030
Grand total.....	199,654,300	198,815,135	213,674,269	164,031,406	121,281,506

The coal reserves heretofore reported have been based on estimates for the unexplored land. During the past fiscal year drilling of all of the company's coal properties has been completed, and the figures shown as of June 30, 1911, are based on actual drill records. The heavy shrinkage in coal reserves is due to the fact that considerable acreage heretofore estimated to contain coal was found upon actual drilling to contain no coal of a workable character.

LIMESTONE.

No change has occurred in the limestone properties, and their operating efficiency has been maintained at a high standard.

	1907	1908	1909	1910	1911
Limestone production.....	118,219	88,922	134,001	115,473	88,239
Limestone reserves.....	31,635,700	31,546,800	31,402,800	31,287,500	31,199,298

PROPERTIES.*Rolling mills and factories.*

Active plants.—Brown-Bonnell Works, Mahoning Valley Works, Youngstown Steel Works (Bessemer), Haselton Steel Works (open hearth), Haselton Steel Tube Works, Shafting Works, Youngstown, Ohio; Indiana Bolt Works, Muncie,

Ind.; Inland Works, East Chicago, Ind.; Sylvan Works, Moline, Ill.; Tudor Works, East St. Louis, Ill.

Inactive bar-iron mills.—Alabama Works, Birmingham Works, Birmingham, Ala.; Toledo Works, Toledo, Ohio.

Blast furnaces.—Haseilton furnaces, Youngstown, Ohio, 4 stacks; Hannah furnaces, Youngstown, Ohio, 1 stack; Hall furnace, Sharon, Pa., 1 stack; Atlantic furnace, New Castle, Pa., 1 stack; Pioneer furnaces, Thomas, Ala., 3 stacks. Total, 10 stacks.

MANUFACTURED PRODUCTS.

In addition to the products manufactured since the last annual report is open-hearth steel, so that the finished products of the company are now: Merchant iron bars, bessemer and open-hearth steel bars, light structural and agricultural shapes, standard and hand spikes, bolts, nuts, turnbuckles, cold-drawn bars, tubular products, bessemer and open-hearth billets and sheet bars, foundry, bessemer, and basic pig iron.

ORE MINES.

Northern.—Cambria No. 1, Cambria No. 2, Lillie, Negaunee, Mich.; Franklin Bessemer No. 3, Bessemer No. 4, Victoria, Onondaga, Virginia, Minn.; Pettit, Mariska, Schley, Gilbert, Minn.; Wills, McKinley, Minn.; Monica, Biwabic, Minn.; Bray, Keewatin, Minn.; Kinney, Kinney, Minn.

Southern.—Alfretta Group (4 slopes), Raimund Group (3 slopes), Houston, Tannehill, Spaulding, Birmingham, Ala.

Active coal and coke properties.

Northern.—Republic, Republic, Pa.; Atcheson, Gang, Pa.; Martin, Martin, Pa.

Southern.—Warner, Sayreton, Thompson, Thomas, Birmingham, Ala.

Limestone properties.

Southern.—Thomas, Dale, Birmingham, Ala.

Miscellaneous properties.

Potter Ore Co., Mahoning Ore & Steel Co., Union Ore Co., Antoine Ore Co., Lake Erie Limestone Co., Union Limestone Co., Union Dock Co., Cambria Steamship Co., French Transportation Co.,¹ General Water Co., Jefferson Powder Co.

LABOR AND EMPLOYMENT.

No labor disturbances have taken place during the year, and labor rates for the ensuing year have been amicably adjusted.

The average number of men employed and amount of wages paid is as follows:

Average number of men employed.

	Year ending—				
	June 30, 1907.	June 30, 1908.	June 30, 1909.	June 30, 1910.	June 30, 1911.
North:					
Ore mines	863	773	879	1,362	1,309
Coal mines and ovens	543	433	462	609	744
Furnaces	1,219	550	601	904	1,029
Works	8,054	4,139	4,199	6,803	6,264
Total North	10,679	5,895	6,171	9,678	9,476
South:					
Ore mines	674	499	575	690	470
Coal mines and ovens	1,160	941	1,056	1,122	1,079
Furnaces	550	460	503	538	225
Works	791	720	5	10	11
Commissaries	41	32	30	28	27
Total South	3,216	2,652	2,169	2,388	2,113
Grand total	13,895	8,547	8,340	12,066	11,589

¹ The executive committee has recently caused to be incorporated a steamship company known as the Republic Transportation Co., which will take over two modern steel steamships from the Federal Transportation Co. and one modern steel steamship from the French Transportation Co., which consolidation of interests has been effected on a basis believed to be favorable to this company and will tend to establish its transportation interest on a more self-contained basis than has heretofore existed. This company will control the new transportation company through the ownership of 60 per cent of the stock.

Total Expended for Labor.

Year ending—	
June 30, 1907	\$8,686,604.58
June 30, 1908	5,832,631.62
June 30, 1909	5,700,805.08
June 30, 1910	8,652,102.18
June 30, 1911	8,273,630.21

UNFILLED ORDERS.

The slackening in sales and weakness in prices noted in the last annual report became more pronounced during the first half of this fiscal year, the calendar year 1910 closing with iron and steel markets much unsettled with production in most all classes on a steadily declining basis, low ebb being reached during the early part of May, 1911, at which time competition became decidedly aggressive, particularly for the commodities manufactured by this company.

To meet this situation, substantial price reductions were made by this company, followed shortly thereafter by a general reduction in prices by all other manufacturers, covering most all lines of iron and steel, which action stimulated confidence in values and started a buying movement of sufficient proportions to enable us to place in operation the new Open Hearth Steel Works and Haselton Blast Furnace No. 4, recently completed, and also to continue satisfactory operations at the Bessemer Steel Works.

The unfilled tonnage of orders on hand is in excess of that reported for the year preceding, and it is believed, with business booked and the tonnage now in prospect, that the gross volume for the coming year should be substantially increased.

For the purpose of comparison, the following figures of unfilled orders are submitted:

Finished and semifinished:	Tons.
June 30, 1907	448,627
June 30, 1908	283,748
June 30, 1909	392,420
June 30, 1910	341,887
June 30, 1911	481,425
Pig iron:	
June 30, 1907	74,500
June 30, 1908	59,196
June 30, 1909	94,247
June 30, 1910	82,906
June 30, 1911	102,077

In the totals of finished and semifinished product nothing is included but fixed contracts; sliding scale contracts with periodical adjustments are excluded.

By order of the executive committee.

Yours, respectfully,

JOHN A. TOPPING, *Chairman.*

SEMIANNUAL REPORT REPUBLIC IRON & STEEL CO., YOUNGSTOWN, OHIO, FOR SIX MONTHS ENDING DEC. 31, 1911.

Directors—Term expiring 1912: G. Watson French, James Campbell, John F. Harris, Thomas J. Bray.

Term expiring 1913: John A. Topping, John Lambert, Earl W. Oglebay, Oakleigh Thorne.

Term expiring 1914: Edward J. Berwind, Harry Bronner, Charles G. Gates, Grant B. Schley.

Officers—John A. Topping, chairman; Thomas J. Bray, president; Harry L. Rownd, vice president and treasurer; Richard Jones, Jr., secretary; Simpson. Thacher & Bartlett, general counsel.

Executive committee—John A. Topping, Grant B. Schley, James Campbell, John Lambert, John F. Harris.

To the stockholders of the Republic Iron & Steel Co.:

The executive committee submits herewith its semiannual financial statement and income report for the six months ending December 31, 1911, together with comparative statement of income for the periods ending December 31, 1910, and December 31, 1911.

INCOME REPORT.

The gross volume of business for the six months ending December 31, 1911, compares favorably with best previous periods when greater market activity ruled, but the average prices for shipments made are the lowest for any period in the history of the company. The shrinkage in values indicated is the natural result of the restricted demand, incident to disturbed conditions of general business. The increase in gross volume of business we obtained is due entirely to additions to our capacity and to greater diversity of products manufactured. Had it been possible to have operated the works to full capacity, a substantial increase in volume of business would have resulted.

All important new additions or extensions to works mentioned in previous reports have now been completed. The last of the improvements authorized were the 90-inch plate mill and the 14-16-inch continuous merchant mills, and these mills were placed in operation during the month of December, 1911.

Substantial reductions in costs were generally effected, and present operations reflect greater efficiency and lower costs than at any previous date in the history of the company. The net profits, however, show reductions as compared with a similar period for 1910, as a result of low prices naturally incident to conditions above stated. While full maintenance charges have been made, some reduction in depreciation charges was thought proper in view of previous liberal allowances on this account. All provisional funds, however, have been fully maintained. The net profits applicable to dividends are \$798,772.31, and the net surplus as of December 31, 1911, is \$5,286,218.16.

The Haselton Steel Tube Co. notes, amounting to \$1,475,000, and guaranteed by this company, maturing April 15, 1912, the board of directors deemed it advisable to provide for the payment of these notes in advance of their maturity, as well as to provide for various construction contracts nearing maturity, by an issue of \$3,000,000 one-year collateral notes.

The deductions from working capital on account of new construction during the six months ending December 31, 1911, increased the capital assets \$1,843,865.19, leaving the balance of net working assets as of December 31, 1911, \$12,510,213.86.

Income account and statement of surplus for six months ending Dec. 31, 1911.

Net earnings from operations, after deducting charges for maintenance and repairs of plants, amounting to \$737,501.38.....	\$1,470,812.63
Less:	
Provision for depreciation and renewal of plants.....	\$180,694.09
Provision for exhaustion of minerals.....	122,007.97
	302,702.06
Net profit for six months.....	1,168,110.57
Deduct interest on bonds.....	369,338.26
Net profit applicable to dividend.....	798,772.31
Add surplus at July 1, 1911.....	5,792,445.95
	6,161,218.16
Deduct dividend on preferred stock.....	875,000.00
Surplus carried to balance sheet.....	5,286,218.16

Balance sheet Dec. 31, 1911.

ASSETS.

Capital assets:	
Cost of properties July 1, 1911.....	\$64,151,272.82
Addition for six months ending Dec. 31, 1911.....	1,343,865.19
	65,495,138.01
Investments:	
In Potter Ore Co.....	\$401,000.00
In other companies.....	529,852.09
	930,852.09
Total capital assets.....	66,425,990.10

Cash deposited with trustee for redemption of first mortgage 5 per cent gold bonds, in addition to bonds of a par value of \$2,149,000 retired in terms of the trust deed, per contra----- \$288,808.75

Current assets:

Inventory of manufactured products, material, and supplies on hand at or below cost. \$8,100,692.46

Ore contract payments represented by ore at docks----- 524,454.15

Accounts and bills receivable after deducting reserve for bad and doubtful accounts---- 3,909,805.45

Cash----- 3,083,278.58

15,618,230.64

Deferred charges to operations: Expenditure for stripping at mines, advanced royalties, etc., chargeable to future operations-- 832,953.94

83,165,983.43

Net current assets, \$12,510,213.86.

LIABILITIES.

Capital stock:

Common—273,520 shares of \$100 each---- \$27,352,000.00

Less in treasury----- 161,000.00

\$27,191,000.00

Preferred 7 per cent cumulative—250,000 shares of \$100 each-----

25,000,000.00

Total capital stock outstanding-----

52,191,000.00

First mortgage 5 per cent gold bonds:

Total issue----- 10,000,000.00

Deduct deposited with trustee and canceled-- 2,149,000.00

7,851,000.00

Less: Deposited with trustee of the 10-30-year 5 per cent sinking-fund bonds in exchange for bonds of that issue-----

6,206,000.00

1,645,000.00

Ten to 30 year 5 per cent sinking-fund mortgage gold bonds-----

11,805,000.00

Haselton property mortgage notes: To retire which a like amount of 10-30-year bonds are reserved-----

1,475,000.00

One-year collateral notes-----

3,000,000.00

Potter Ore Co. bonds: \$651,000 outstanding first mortgage 5 per cent bonds guaranteed jointly with Tennessee Coal, Iron & Railroad Co., less that company's proportion-----

314,500.00

Bonds and notes outstanding on the Martin Coke Works property-----

312,286.80

Funds:

For exhaustion of minerals----- 1,516,387.77

For depreciation and renewal of plants---- 1,479,861.50

For relining furnaces----- 258,974.52

For fire and accident insurance----- 405,564.60

For contingencies----- 121,541.30

3,780,329.69

Dividend warrants: Payable in equal annual installments from Oct. 1, 1912 to 1915, inclusive--

748,632.00

Current liabilities:

Accounts and bills payable----- 2,098,753.29

Ore contract balances representing cash received in excess of the value of ore shipped to customers-----

215,533.29

Taxes accrued----- 175,249.90

Interest accrued----- 178,234.55

462 DUTIES ON METALS AND MANUFACTURES OF METALS.

Current liabilities—Continued.

Dividends 1½ per cent on preferred stock, Payable Jan. 1, 1912-----	\$487,500.00	
Unclaimed dividends-----	2,745.75	\$3,108,016.78
Surplus: Balance Dec. 31, 1911, as per attached statement-----		5,286,218.16
		83,165,983.43

Comparative statement of income.

	Six months ending Dec. 31, 1911.	Six months ending Dec. 31, 1910.
Net earnings from operations, after deducting charges for maintenance and repairs of plants, amounting to: Dec. 31, 1911, \$737,501.38.....	\$1,470,812.63	
Dec. 31, 1910, \$680,030.27.....		\$1,851,454.57
Interest and dividends received, less interest paid.....		40,966.15
Total profit for the six months.....	1,470,812.63	1,992,410.72
Less: Provision for depreciation and renewal of plants.....	180,694.00	300,168.46
Provision for exhaustion of minerals.....	122,007.97	133,510.61
	302,702.06	433,679.07
Net profit for the six months.....	1,168,110.57	1,558,731.65
Deduct interest on bonds.....	369,338.26	220,861.94
Net profit applicable to dividend.....	798,772.31	1,267,849.71
Add: Surplus July 1, 1911.....	5,362,445.85	
Surplus July 1, 1910.....		4,954,660.54
	6,161,218.16	6,222,510.25
Deduct: Dividends on preferred stock: Two quarterly dividends of 1½ per cent each.....	875,000.00	875,000.00
Net surplus carried to balance sheet.....	5,286,218.16	5,347,510.25

UNFILLED ORDERS.

On hand December 31, 1911, as compared with a similar period of 1910, are as follows:

Finished and semifinished products:

	Tons.
Dec. 31, 1911-----	414,431
Dec. 31, 1910-----	293,734
Pig iron:	
Dec. 31, 1911-----	158,392
Dec. 31, 1910-----	76,375

In the totals of finished and semifinished products nothing is included but fixed contracts; sliding scale contracts with periodical adjustments are excluded.

Substantial improvement in prices and market activity occurred during November and December, and the outlook is more encouraging.

By order of executive committee,

JOHN A. TOPPING, *Chairman.*

**STATEMENT OF MR. JAMES T. McCLEARY, OF NEW YORK CITY,
REPRESENTING THE LACKAWANNA STEEL CO.**

The CHAIRMAN. The next gentleman to be heard is former Congressman McCleary, representing the Lackawanna Steel Co. Will you state where that company is located, Mr. McCleary?

Mr. McCLEARY. The Lackawanna Steel Co. has its factory at Buffalo, N. Y.

Senator CULLOM. Where do you live, Mr. McCleary?

Mr. McCLEARY. My home address is Mankato, Minn. My business address is 30 Church Street, New York.

The CHAIRMAN. The Lackawanna Company is one of the largest independent concerns in the country, is it not, Mr. McCleary?

Mr. McCLEARY. The Lackawanna Company, and the Jones & Laughlin Co. of Pittsburgh, and the Republic Iron & Steel Co.—which has been so ably represented by Mr. Topping—are, as I understand, the three large independent companies.

Mr. TOPPING. That is correct.

Mr. McCLEARY. They are approximately of the same size. The Lackawanna Company was organized in 1902; so that its plant is a new plant.

The CHAIRMAN. It was formerly located at Scranton, Pa., was it not?

Mr. McCLEARY. Yes, sir. The Lackawanna Iron & Steel Co., which is the parent company from which it originated, started at Scranton, Pa. It began business in 1904. The principal plant is at Buffalo, N. Y.; the grounds covering about 1,500 acres, about three miles along Lake Erie, and from half a mile to a mile in width.

The CHAIRMAN. How many men are employed there?

Mr. McCLEARY. The company as a whole employs about 12,000 men, and the pay roll is about \$10,500,000 a year. It has ore mines in the Superior district, Minnesota, Wisconsin, Michigan, Pennsylvania, and New York. It produces about 2,000,000 tons of ore a year. It has coal mines in Pennsylvania producing about 3,000,000 tons. The capital of the company is \$35,000,000. The bonds are about \$40,000,000, in round numbers.

I have a letter from the president of the company, Mr. Clark, addressed to the committee, which, with your permission, I will read as a summary of what I have to say:

LACKAWANNA STEEL CO.,
New York, February 9, 1912.

Hon. BOIES PENROSE,
Chairman Finance Committee,
United States Senate, Washington, D. C.

DEAR SIR: Under date of April 8, 1909, the Lackawanna Steel Co. addressed a letter to the Hon. Sereno E. Payne, then chairman of the Ways and Means Committee of the House of Representatives, setting forth its attitude in regard to the changes in the tariff on iron and steel, proposed in the bill at that time under consideration. I inclose herewith a copy of said letter, and beg to advise that Lackawanna Steel Co. does not see any reason for changing its attitude as expressed in that letter. Material reductions in the duties on iron and steel were made in the tariff act as approved August 5, 1909, and the general level of prices of iron and steel in this country has been lower since the passage of that act, and the iron and steel trade of the Pacific coast has been largely taken away from the manufacturers of this country, and supplied

by foreign manufacturers. It is now proposed in House of Representatives bill No. 18642, to make still further reductions in these duties, and Lackawanna Steel Co. believes that the predictions set forth in said letter of April 6, 1909, will be more fully realized if the said bill shall become a law.

It is true that at the moment prices of iron and steel in this country are so low that, with the possible exception of the Pacific coast, there would be no importations of the principal classes of iron and steel, owing to the fact that the European producers are enjoying a good demand and high prices at home, and their need for exportation is not as great as usual. Nevertheless, a return to the prices for iron and steel obtaining during 1910 and the early part of 1911 would, under the proposed bill, enable the foreigners, at their present prices, to deliver iron and steel to Atlantic and Gulf ports at a handsome profit to themselves. The prices which prevailed during the latter part of 1911, and which still obtain, will not permit the steel manufacturers of this country to earn a reasonable profit on their investments. Definite figures are not available for many of the producers. Those which are, show very insufficient returns. Lackawanna Steel Co., after paying its fixed charges and providing a very moderate depreciation, will show for the year 1911 less than one-quarter of 1 per cent earned on its capital stock, and no better return is expected for the year 1912 if the existing basis of prices shall continue throughout the year. A basis of prices somewhat higher than at present, but still sufficiently low to prevent foreign iron and steel from coming into this country under the duties proposed in the said bill, would not enable Lackawanna Steel Co. to earn more than 5 per cent on its stock. When account is taken of the fact that prices in Europe, even for export, are high, and that with a lessening of home demand, European export prices are likely to be lowered, it will be seen that the earnings of the American steel manufacturer are likely to be unduly low, and it is pertinent to state that the capitalization of Lackawanna Steel Co is not excessive, and represents actual money spent in the acquisition of property and building of plant, and the actual reproduction value of its properties is believed to be considerably greater than its capitalization.

It is true that if foreign manufacturers endeavor to send steel into this country, American manufacturers, as stated in paragraph 5, of our letter of April 6, 1909, will undoubtedly make the lower prices necessary to meet foreign competition; but, as stated in said paragraph 5, lower costs must then be made, and this can only be done by a general reduction of wages. It is true that notwithstanding the low prices obtaining at the present time wages are not materially lower than they were previous to the passage of the act of 1909. Reductions in wages were made during the period of low prices which obtained in 1909, but were largely restored with the coming of better prices in the latter part of that year, and they have not since been reduced. This, in the case of Lackawanna Steel Co., has been due to the hope that the prevailing low prices would not continue for a very long period and the consequent desire not to reduce wages, in view of the high cost of living, until absolutely necessary. Any prolonged continuation of the present basis of prices will inevitably mean a general reduction of wages or actual losses and eventual bankruptcy to most American iron and steel manufacturers.

Lackawanna Steel Co. agrees with the minority report from the Committee on Ways and Means, which accompanied House bill No. 18642 as regards the impropriety of making any further reduction in the iron and steel tariff until the Tariff Board shall have reported on the subject.

I have already called your attention to certain inconsistencies in the proposed bill as set forth in my correspondence with Representative Underwood and sincerely trust that your committee will report adversely on House bill 18642 and that consideration of any further reduction in iron and steel tariffs may be deferred until such time as a proper report from the Tariff Board shall be available.

Respectfully, yours,

E. A. S. CLARKE, *President.*

With your permission, Mr. Chairman, I will file this letter, and a copy of the letter referred to in it to Mr. Payne in 1909, and copies of three other letters—one from Mr. Clark to Mr. Underwood, the reply of Mr. Underwood, and the answer of Mr. Clark to Mr. Underwood.

The CHAIRMAN. Those will be printed as a part of your statement.

The letters above referred to are as follows:

LACKAWANNA STEEL CO.,
New York, April 6, 1909.

DEAR SIR: Lackawanna Steel Co. begs leave to present herewith a statement of its attitude in regard to the changes in the tariff on iron and steel proposed in the Payne tariff bill.

Lackawanna Steel Co. is one of the three largest producers of iron and steel in the United States. Its principal works are located near the city of Buffalo, N. Y., with additional blast furnaces and ore mines in or near Lebanon, Pa. Its principal iron-ore mines are in the Lake Superior district in the States of Minnesota, Wisconsin, and Michigan, and its principal coal mines in the Pittsburgh district, though it also owns coal mines in Indiana County, Pa. It has, further, a large interest in the iron-ore mines of Witherbee, Sherman & Co., located near Port Henry on Lake Champlain, N. Y.

It has a normal capacity of 1,200,000 gross tons of finished rolled steel per annum, classified substantially as follows:

	Tons.
Standard rails	600,000
Light rails	70,000
Track supplies	75,000
Structural shapes	200,000
Plates	150,000
Merchant-mill products	50,000
Blooms, billets, sheet bars, and other similar finished steel	55,000
Total	1,200,000

Its principal markets are in the United States, 5.96 per cent only of its products having been exported during the years 1905-1908, inclusive.

It employs normally, including its ore and coal mines, an average of about 11,000 men.

It is especially interested in the schedules affecting the above products, together with those affecting iron ore, pig iron, and ferromanganese, all of which enter into the manufacture of its products; but its views in regard to a lowering of the existing tariff apply to the entire iron and steel schedule, and are predicated on the following extract from the tariff plank of the Republican platform of 1908, viz:

"The aim and purpose of the Republican policy being not only to preserve, without excessive duties, that security against foreign competition to which the American farmers, manufacturers, and producers are entitled, but also to maintain the high standard of living of the wage earners of this country, who are the most direct beneficiaries of the protective system."

Lackawanna Steel Co., after careful investigation and deliberation, believes that any general reduction of the present tariffs on iron and steel will result in lower prices for these products in this country, and that this, in turn, will inevitably mean lower wages and a consequent lower standard of living for American wage earners, a result absolute contrary to the above cited pledges of the Republican Party.

This opinion is based on the following facts, which can be readily verified:

1. About 77½ per cent of the cost of a ton of finished steel is, in the ultimate analysis, wages or labor.

This figure has been arrived at by a careful analysis of Lackawanna Steel Co.'s costs from ore and coal in the ground to finished steel, coupled with careful estimates from available statistics of the percentage of labor entering into transportation, and into materials and supplies purchased. As Lackawanna Steel Co. has a modern plant, finished and put into operation about the end of the year 1904, the above figure of 77½ per cent is deemed to be too low rather than too high for the average of the country.

2. The remaining 22½ per cent of the cost of finished steel is made up as follows:

- (a) Rentals and royalties paid to the owners of raw materials;
- (b) Profit of transportation companies;
- (c) Profits of parties from which various materials and supplies are purchased;
- (d) Depreciation and amortization.

The above hardly needs demonstration, as the items cover all the remaining elements of cost. They are not controlled by Lackawanna Steel Co.

3. Profits of the iron and steel business, figured as a return on capital invested, are not excessive.

The published reports for the fiscal year of 1907 (one of the most profitable years in the last decade) of the following companies, viz, United States Steel Corporation, Pennsylvania Steel Co., Cambria Steel Co., Republic Iron & Steel Co., and Lackawanna Steel Co. show the average return on capital invested to be 7.68 per cent, this amount representing the earnings available for distribution to the holders of the capital obligations, both stocks and bonds, of these companies. Such a return can not be deemed excessive in a manufacturing business subject to the various risks and contingencies, which accompany the manufacture and sale of iron and steel. If it be urged that the capital invested is excessive (which Lackawanna Steel Co. denies), the return could hardly be deemed excessive even after allowing for such overvaluation, or water, as might be claimed.

4. Lowering of present tariff will cause lower prices in this country for iron and steel.

Estimates of the cost of manufacture by the principal foreign producers, including those submitted in the investigation by the Bureau of Manufactures of the Department of Commerce and Labor on the German Iron and Steel Industry, under date of January 7, 1909, indicate costs of production sufficiently below those of this country to enable the average foreign producer to ship his products into this country at a profit as against the prices of steel obtaining in this country under the Dingley tariff up to about the middle of February in this year. These lower costs of production in foreign countries are due, principally, to the lower scale of wages paid in those countries. While it is undoubtedly true that on a corresponding wage basis this country could produce iron and steel at substantially the same costs, Lackawanna Steel Co. does not believe it to have been the intention of the Republican Party to bring about any such standard of wages for American workmen. With a reduced tariff it seems inevitable that the iron and steel business of this country will suffer severely from foreign competition unless prices are maintained on a lower schedule than those which produced the earnings of the industry quoted in the preceding paragraph.

5. American manufacturers of iron and steel will undoubtedly make the lower prices necessary to meet foreign competition under a reduced tariff, to do which lower costs must be made.

It stands to reason that the large amounts of money invested in the iron and steel industries in this country can not be allowed to remain idle and unproductive, and therefore the American manufacturer must find a means of meeting such lower prices. Even if it were granted that the profits of the business have been too great, any serious reduction in the amount of said profit would cause a return on the investment which would not be commensurate with the risk.

6. Reductions in cost must come from lower wages, as in the past.

Since the profits on the business are not excessive, and the royalty, rental, and amortization on raw materials are fixed, since depreciation is calculated on a scientific basis, and the profits of transportation and profits on supplies and materials purchased are not excessive, there is no place left to seek lower costs except in lower wages. Low prices in the iron and steel business in the past have always been accompanied by low wages. The lowest prices on iron and steel ever made in this country were during the period from 1893 to 1898, inclusive, when it will be admitted the scale of wages and living were at the lowest point—a condition which those who remember that period will not wish to see duplicated. The present low scale of prices prevailing in the business has been, as is well known, accompanied by considerable reduction in wages. It is true that under the proposed schedule of the Payne bill no lower prices on iron and steel products would be necessary than those to-day prevailing, but American wage earners, dependent upon the iron and steel business for their wages, are already suffering from a condition directly the opposite of that contemplated by the pledges of the Republican Party, and while under the proposed schedule of the Payne bill higher prices may, and undoubtedly will, obtain in normal times, the undoubted result of such tariffs will be to prolong the lower general schedule of prices and of wages.

7. Conclusion: Lackawanna Steel Co. believes that a moderate reduction from present duties can be made without seriously affecting the wages and

standard of living of American workingmen; but it most firmly believes that the proposed reductions under the Payne bill are excessive, and will unquestionably materially lower the standard of wages and living of the American workingmen. Such tariffs will open the door for prices that must radically lower American wages.

In considering the schedules of the Payne bill in detail, Lackawanna Steel Co. is also struck with certain inconsistencies from the point of view of producing revenue and making up the present deficits. A statement compiled from the Government statistics of imports of such materials as are mined and produced by this company show that for the 11 years from 1898 to 1908, inclusive, these items produced seventy-six one hundredths of 1 per cent of the total duties collected. Iron ore, which in the Payne bill is placed on the free list, and pig iron, which is reduced nearly 40 per cent, produced the bulk of this amount, and it would seem as though the most radical reductions in duties in the Payne bill were made on those articles of the iron and steel schedule which have produced the greatest revenue.

Furthermore, it seems as though such radical reductions in duties, with their serious effects upon the large amounts of invested capital and great number of American workingmen, constituted a risk far greater than the possible advantages to be gained from a revenue-producing standpoint, remembering that the duties collected under this schedule amount to but seventy-six one hundredths of 1 per cent of the total duties collected.

Recommendations: Lackawanna Steel Co. respectfully but most strongly urges you to use your best efforts toward such amendment of the proposed schedules of the Payne bill as will not lower the duties on iron and steel of the present tariff more than 15, or as a maximum, 20 per cent, believing such action to be fully in conformance with the pledges of the Republican Party in that it would secure revision of the tariff without seriously affecting the wages or standard of living of the American workingman. Any reduction beyond these figures is unnecessary and the desire for it attributable to popular sentiment against a business whose profits are ignorantly supposed to be excessive.

Respectfully submitted.

LACKAWANNA STEEL COMPANY.
_____, President.

HON. SERENO E. PAYNE,
*Chairman, Ways and Means Committee,
House of Representatives, Washington, D. C.*

JANUARY 27, 1912.

HON. OSCAR W. UNDERWOOD,
House of Representatives, Washington, D. C.

DEAR SIR: I notice from the proposed new schedule of duties on iron and steel that the duty on ferromanganese, a material which enters into the production of practically every ton of steel, other than Bessemer rails and crucible steel, made in this country, is to be increased from a rate of \$2.50 per gross ton to a rate of about 15 per cent ad valorem, which, at the existing European market, would make the duty about \$5.50 per gross ton.

There is but one manufacturer of ferromanganese in this country, namely, the United States Steel Corporation, which manufactures it for its own consumption, and is not a seller. It would hardly seem fair to increase the cost of steel manufacture to all the independent companies, thereby giving an advantage to the United States Steel Corporation, and I trust that you will give this question your attention and try to make the duty on ferromanganese no higher than under the existing tariff.

Yours, respectfully,

E. A. S. CLARKE, *President.*

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., January 29, 1912.

MR. E. A. S. CLARKE,
*President, Lackawanna Steel Co.,
No. 2 Rector Street, New York City.*

MY DEAR SIR: Your favor of the 27th instant was received this morning. As you are probably aware when the Payne bill was introduced in the House of

Representatives the ferro alloys were taxed in a separate paragraph from ordinary pig iron for the first time in the history of Schedule K. As there is no real connection between pig iron and ferroalloys, it seems to me that this classification was very proper. The tax on ferrosilicon was placed at 20 per cent in the Payne bill and the other ferro alloys at 25 per cent. When the bill reached the Senate ferromanganese was dropped out of the ferro-alloys paragraph; there was no reason in my judgment for this being done, as all the ferro alloys ought to be classed on the same basis. I recognize that we have raised the rate of duty on ferromanganese by putting it back in the ferro-alloys class, but at the same time we have reduced the tax on ferrosilicon from 20 per cent to 15 per cent and on all other ferro alloys used in the manufacture of steel from 25 per cent to 15 per cent, so that although the tax is increased on one alloy it is reduced nearly one-half on the others. I, therefore, do not think the manufacturers of steel in this country have any reason to complain of the new classification.

Yours, very truly,

O. W. UNDERWOOD,
Chairman.

JANUARY 30, 1912

HON. OSCAR W. UNDERWOOD,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.*

MY DEAR SIR: I beg to acknowledge receipt of your favor of January 29th, in reply to mine of January 27th, and note carefully what you say.

The reduction on ferrosilicon and other ferro alloys used in the manufacture of steel, I appreciate, but it hardly seems fair to raise the tax on ferromanganese, because the use of the latter alloy is essential and absolutely necessary in the manufacture of steel, whereas the other alloys are only used in special cases. The importations in gross tons of ferromanganese and ferrosilicon during the three fiscal years past are as follows:

Year.	Ferromanganese.	Ferrosilicon.
1908.....	44,624	5,533
1909.....	58,934	12,822
1910.....	114,278	11,361

I think that these figures thoroughly confirm my statement as to the comparative uses, and I think therefore that my arguments, as given in my letter of January 27th, hold good, namely, that it hardly seems fair to increase the cost of steel manufacture to all independent companies as against the United States Steel Corporation.

I appreciate that the bill has already passed the House and that my plea may seem a little late, but no doubt, if you are so inclined, you will be able to modify it in this particular before it comes to final passage in the Senate.

Yours, very truly,

E. A. S. CLARKE, *President.*

Mr. McCLEARY. Mr. Chairman, the letter of Mr. Clarke, especially after the admirable presentation of the subject by Mr. Topping, seems to have covered all that I really had to say. I simply desire to emphasize the fact that the Lackawanna Steel Co. urges that even present rates are too low. None of the independent companies are prospering. The Bethlehem Co., as you heard from Mr. Schwab, is not making returns that anyone would regard as reasonable. The Central Co., of Harriburg, went into the hands of a receiver the other day. The Lackawanna Co. is making one-quarter of 1 per cent on its capital. The foreigners already have quite considerable possession of the Pacific coast. With the coming of the Panama Canal that will probably be intensified, unless, as Mr. Topping said, in the

meantime we have a better merchant marine than seems to be practicable at this moment.

I do not know that I have anything further to say for the enlightenment of the committee. I should like to say just one word in answer to my old friend of whom I am so fond, Senator Williams. I am glad to see him in the Senate. He will honor his place there.

I happen to have looked up the question of steel rails, about which a good deal has been said at different times, and in answer to the question my friend, the Senator, asked Mr. Topping in regard to last year, and the year before, and the year before that, and so on, I will simply say this: In the course of some inquiries that I made for another purpose I took the German price list and the English price list in their own publications, and I will make this general statement without any qualification: That during the last 10 years, every year, the average price of rails has been lower in the United States than in either Germany or France or England.

I will also make the statement in this other form: That there is no country on earth in which the railroads of that country buy their rails as cheaply as the railroads of the United States buy American rails. They buy them cheaper than English companies buy English rails, cheaper than German companies buy German rails, cheaper than Belgian companies buy Belgian rails, and cheaper than French companies buy French rails. I happen to have looked up that matter in the course of some other inquiries.

Senator WILLIAMS. And you have ascertained that to be a fact?

Mr. McCLEARY. I have ascertained that to be a fact from their reports, Senator.

Senator WILLIAMS. I thought it was a fact, and I am glad to learn it definitely.

Senator McCUMBER. How do you account for it, if the rails are produced so much cheaper in the old countries?

Mr. McCLEARY. Because the rails here are sold at the fixed price of \$28, which has been held there in good report and in bad report, the policy being not to make high charges when high charges might be made and not to make low charges when temporarily they might be made. The prices in those countries have been temporarily higher and temporarily lower, but I made the average for each year by itself, and the average for the year in each case was higher than it was here. The prices vary more there.

Senator McCUMBER. Have you also estimated the cost of production of rails in this country, so that you are able to give us any definite information concerning the relation of the cost of production to the selling price? I refer exclusively to steel rails used in building rail-ways.

Mr. McCLEARY. I can not give you the accurate information that you evidently desire, Senator. I can give you an impression, but that is not what you want.

Senator McCUMBER. I am willing to have your impression, as far it goes.

Mr. McCLEARY. My impression is that the margin of profit in the United States is closer—that is, the selling price is nearer to the cost price—than it is in any of those other countries, on the average.

Senator McCUMBER. Evidently that must be so. If the cost of production is less in the old country, and the product is sold for a

greater price than it is sold for in this country, we can easily calculate that the margin is less in this country; but what I want to get at is the width of that margin.

Mr. McCLEARY. I can not give you the exact facts.

Mr. TOPPING. I can answer that for you.

Mr. McCLEARY. Mr. Topping is very familiar with the matter.

Senator McCUMBER. Mr. Topping has indicated that he can answer that. If so, I should like to hear his answer.

Mr. TOPPING. Pardon the interruption. I would suggest that you can inform yourselves specifically and definitely if you will refer to the Ways and Means report, the tariff brief I submitted, and also to the Department of Commerce and Labor. Mr. Baldwin, I believe, is the statistician in charge. The costs of rails are stated there; and my recollection is that the average cost was something like \$22.40.

Senator McCUMBER. And the selling price about \$28?

Mr. TOPPING. I happened to be in charge of two rail mills, and we have one now in our organization; but we do not operate it on rails, because we can make more money in other things.

Senator McCUMBER. You say it is in here somewhere, perhaps?

Mr. TOPPING. I will give you a brief statement as to the cost of rails in 1905. My best recollection is that our rail cost in 1905 was about \$23.60 a ton. That is the mill cost. You have got your overhead charges, your interest, and selling expense, and all that to add to it. There is only a fair profit, I should say, considering the character of rails that must be made.

There is another thing you should consider in that connection, Senator, and it is a matter of interest. In the old days we used to roll a rail from the entire ingot. To-day railroads are insisting on taking about 25 per cent off the top. That is lost. It goes back into scrap, and is remelted. Naturally, with every 5 per cent additional discount you take off the top of the ingot, it adds pretty close to a dollar a ton to the cost of your rails. It is the high grade of the rails that are being made, and the method in which they must be cropped to secure an absence of segregation, or a perfect piece of steel, that has added to the cost. If there were as much money in rails as many people think, I would start our rail mill on rails. I am not interested in rails at all.

Senator McCUMBER. From your experience, then, you would say that the selling price is very low, considering the present conditions?

Mr. TOPPING. I would say the selling price is fair to-day.

Senator McCUMBER. Very fair?

Mr. TOPPING. Yes, sir; I would.

Senator McCUMBER. Mr. McCleary, do you know whether there is any combination of these manufacturers in Germany and in England, whereby they are able, with a less productive cost, to sell to the home consumer at a much higher cost than they do in the United States?

Mr. McCLEARY. On the other hand, one other thing I should like to say before attempting to answer the Senator's question, if he will permit me, is this—

Senator McCUMBER. Offer all you desire.

Mr. McCLEARY. It is a matter of common knowledge that volume of production has a very close relation to economy of production. When we recall the fact that on the North American continent, in

the United States and Canada together, we have more than one-half of all the railway mileage in all the world, and therefore have an enormous demand for rails, and therefore produce in large quantities; we can see that it is possible to produce at a smaller margin and pay higher wages, and to produce at an economy which enables the sale to be at a lower price.

Senator LODGE. Our mileage alone about equals the mileage of Europe; does it not?

Mr. McCLEARY. I think it is fully that, Senator.

Senator WILLIAMS. Fully what?

Mr. McCLEARY. I think the railway mileage of the United States alone fully equals the total mileage of all Europe.

Senator McCUMBER. In other words, the small margin is made up in the great volume of business?

Mr. McCLEARY. Yes, sir. Without professional knowledge, that would be my nonexpert view of it.

Senator McCUMBER. And that accounts for the fact that in Germany and in Great Britain the consuming trade pays more for steel rails than we do.

Mr. McCLEARY. I am very much obliged, gentlemen.

The CHAIRMAN. Is that all, Mr. McCleary?

Mr. McCLEARY. Yes.

Senator McCUMBER. I should like to ask one more question, just for information. The answer to it may be among all these papers that you have filed, but I have not read them, and I should like to get the information.

What proportion of the steel rails produced in this country are exported, and to what places are they exported?

Mr. McCLEARY. I can get you that information, Senator, and if you will permit me, I will file a supplementary statement giving it.

Senator McCUMBER. I should be glad if you would.

Mr. McCLEARY. Yes, sir.

Senator McCUMBER. I want to ask you another question in connection with that. I assume that none of our steel rails are exported into Germany or into Great Britain, are they?

Mr. McCLEARY. Oh, no, sir. They are sold in what are known as the neutral markets—the nonproducing markets.

Senator McCUMBER. Most of the exports are into Mexico, South America, and Canada?

Mr. McCLEARY. And China—no; not in China now.

Senator McCUMBER. Do you know of any exports being made to Europe?

Mr. McCLEARY. No, sir; I think not.

Senator McCUMBER. That is all.

Senator JOHNSON. It is not possible to get the price at which those rails are exported, I suppose, Mr. McCleary?

Mr. McCLEARY. I think Judge Gary made a statement before the Merchant Marine Committee of the House some years ago, showing that the spread was the least in the United States of all the exporting nations. That is, the difference between the home price and the foreign price was less with us than with any other country, including England. I looked that up at one time; and that is my own judgment, based upon their own reports, which show their domestic

prices and their export prices. The spread is less in the United States than in any other country.

Senator JOHNSON. It is not possible, in connection with the information Senator McCumber has asked for, to furnish the export price, is it?

Mr. McCLEARY. I will try to do that, Senator.

Mr. TOPPING. I think that information was given.

Mr. McCLEARY. I am very much obliged, gentlemen.

**STATEMENT OF MR. WILLIAM G. SMYTHE, OF PROVIDENCE, R. I.,
REPRESENTING THE AMERICAN SCREW CO.**

The CHAIRMAN. Will you state your views to the committee?

Mr. SMYTHE. Mr. Chairman: I represent the American Screw Co., of Providence, R. I., manufacturers of wood screws. The American Screw Co. is the largest and longest established maker of wood screws in the United States.

There are in the United States some 15 or 20 makers of wood screws, located in Massachusetts, Rhode Island, Connecticut, Pennsylvania, Ohio, and Illinois, employing about 4,000 hands, and having a combined productive capacity much in excess of the country's consumption.

The proposed rate of duty on iron and steel wood screws under the pending bill, H. R. 18642, paragraph 38, is 25 per cent ad valorem. From the figures presented in the report of the Committee on Ways and Means, January 25, 1912, House Report No. 260, Sixty-second Congress, second session, it appears that this rate is a reduction of 54 per cent from the existing rates.

The existing rates of duty are specific and are as follows: More than 2 inches in length, 3 cents per pound; over 1 inch and not more than 2 inches in length, 5 cents per pound; over one-half inch and not more than 1 inch in length, 8 cents per pound; one-half inch and less in length, 10 cents per pound. These rates are a reduction of a little more than 16 per cent from the rates in effect at the time of their adoption and are the lowest rates ever imposed since wood screws were first enumerated in the tariff acts (1824), with the single exception of the act of 1894, the Wilson bill, in which the rates were practically the same.

During the past ten years the rates of wages paid per hour have increased about 10 per cent. During the same period there has been an advance of from 7 per cent to 11 per cent in the expense of all fixed and general charges through enforced reduction in working hours per week.

Senator HEYBURN. Will you indicate there what that item of 11 per cent advance in fixed charges consists of?

Mr. SMYTHE. I do not know that I have exactly the proper data for that. It is taken from our books.

Senator HEYBURN. Is it salaries, or rents, or investments?

Mr. SMYTHE. It covers salaries and various items of expense.

Senator HEYBURN. You can not give now the items of it?

Mr. SMYTHE. I do not think I have exactly that information, Senator.

Senator HEYBURN. You stated a percentage there equal to what might be held to be a reasonable profit; and you denominated it as increase in fixed charges.

Mr. SMYTHE. All fixed and general charges.

Senator HEYBURN. You say that increased how much?

Mr. SMYTHE. From 7 to 11 per cent. That would be in salaries, and taxes, and all those things.

Senator HEYBURN. Not in wages?

Mr. SMYTHE. As I stated before, that is independent of wages. During the past 10 years the rate of wages paid per hour has increased 10 per cent.

Senator HEYBURN. Yes; I know you said that.

Mr. SMYTHE. I referred to wages specifically.

Senator HEYBURN. I do not mean to interrupt you further. I thought perhaps you might be able to state right off what comprised that item. It is rather an unusual one.

Mr. SMYTHE. It comes under the overhead charges. The term "overhead" includes many items of salaries, increase in taxes, and various and sundry things. That covers a period of 10 years, you see. There has been a gradual increase, as perhaps you gentlemen all know, in salaries and all that sort of thing—the higher cost of living—every year.

Senator HEYBURN. Do you think there is an unusual condition of high cost of living, or has that phrase become so pat that we all adopt it and take it for granted that it is true?

Mr. SMYTHE. I think very likely that may be true as to part of it; but nevertheless there has been a gradual increase in expenses in all businesses, I think, for the last 10 years—merchandising and manufacturing and things of that kind.

Senator HEYBURN. You show in your statement an increase of from 7 to 11 per cent in salaries, and 10 per cent in wages.

Mr. SMYTHE. Yes; and you know we are having a forced reduction in working hours. That is one thing that affects us in New England. In our State 56 hours constitute a week's work this year.

During the past 10 years the average price of wood screws has been much lower than for any other period of the same length; and the return in dividends paid has averaged less than 6 per cent per annum on the invested capital.

Under the proposed rate of duty the cost of foreign screws, at the price made by European makers for other American markets—a price much lower than their domestic prices and presumably below their average cost of production—plus the duty would be about 7 per cent below the price in the United States market, which is now lower than ever before.

The importations of wood screws under the existing tariff rates have been inconsiderable. Under these rates the cost of foreign screws, at the price hereinbefore mentioned as made by European makers, plus the duty, is but about 35 per cent above the present low price in the United States.

Senator SIMMONS. Pardon me. You said the importations have been inconsiderable. Can you give the approximate figures?

Mr. SMYTHE. I do not think I can. I looked it up, but did not make a special note of it.

Senator SIMMONS. Will you make a special note of it and give the committee the total domestic production of your product of screws and the total importations, say, for the year 1910?

Mr. SMYTHE. I shall be very happy to do so, sir.

The CHAIRMAN. They are all given in the report.

Senator SIMMONS. It is very well to let that information go in the hearing.

Senator HEBURN. That item in the report is very imperfectly stated.

Senator SIMMONS. It will be well to have it go in the hearing, anyhow.

Mr. SMYTHE. I think it is printed. I think we got our information from that source.

The CHAIRMAN. You can furnish the information as a part of your statement and proceed.

Mr. SMYTHE. Very well, gentlemen.

The duty on iron or steel wood screws has for more than 50 years been uniformly specific, and the change to an ad valorem rate is a serious peril to the domestic manufacturers. The actual duty becomes an uncertain and varying amount, thus subjecting the domestic makers at all times to the conditions of that foreign market that is for the time being most depressed, and putting it within the power of a foreign maker, through undervaluation or excessively low export price, to reduce the duty to which his screws are subject.

The phenomenal success of the wood-screw industry under the exceptional and temporary conditions of 40 to 50 years ago has given rise to a mistaken popular impression of the industry. Though wood screws are so common and so cheap an article of trade and consumption, they are one of the most difficult and expensive products made from wire, requiring complex and costly machinery and a total investment of more than twice the value of the annual product. Notwithstanding the improvements and economies that have been made since the times of that earlier success, the industry has failed for the past quarter century to realize a proper and reasonable return.

In view of the foregoing we respectfully protest against reduction from the existing rates—

Senator JOHNSON. Pardon me right there. What is the existing rate?

Mr. SMYTHE. The existing rate is specific; more than 2 inches, — cents a pound. I read that in one of the earlier parts.

Senator SIMMONS. That was the specific rate. The present bill puts it on an ad valorem basis. What was the old ad valorem basis, or the ad valorem equivalent?

Mr. SMYTHE. I think I will have to refer to the report of the House committee, which gives that rate.

Senator SIMMONS. Very well; you can put it in.

Mr. SMYTHE. I gave the reduction here proposed.

Senator SIMMONS. You mean you gave the per cent of the reduction proposed?

Mr. SMYTHE. Yes, sir.

Senator SIMMONS. That will be all right. Give that.

Mr. SMYTHE. The rate of reduction is 54 per cent of the existing rates.

Senator SIMMONS. I did not know you had given that. If I had, I would not have asked the question.

In view of the foregoing, we respectfully protest against reduction from the existing rates of duty and against the change from specific to ad valorem duty, the prices obtainable under the existing tariff, even in the face of advancing elements of cost, being lower than ever before and the financial return being altogether inadequate in an industry of its character.

**STATEMENT OF MR. WALLACE L. POND, OF PROVIDENCE, R. I.,
REPRESENTING THE NICHOLSON FILE CO.**

Mr. POND. The Nicholson File Co., of Providence, R. I., being a manufacturer in the United States of files, rasps, and floats—all three of which classes of product are hereinafter included in the general term files—respectfully represents:

There are in the United States some 25 to 30 makers of machine-cut files, with plants located in Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Wisconsin, employing about 6,000 hands, besides numerous smaller concerns scattered throughout the country, using more or less machinery and employing from 5 to 20 hands each. These all have a combined productive capacity much in excess of the country's requirements.

The present tariff on files as established by the act of 1909 (the Payne-Aldrich bill) provides specific duties as follows: Class 1, 2½ inches and under, 25 cents per dozen; class 2, 3 to 4½ inches, 47½ cents per dozen; class 3, 5 to 6½ inches, 62½ cents per dozen; class 4, 7 inches and above, 77½ cents per dozen.

These specific duties, based on importations for the year 1911, are the equivalent of an ad valorem duty of 61.16 per cent.

The proposed rate of duty under the pending Underwood bill is 25 per cent ad valorem.

The existing rates are an approximate average of 15 per cent below the rates of the Dingley bill, and the proposed rate of 25 per cent ad valorem will be, according to the figures appearing in the report of the Committee on Ways and Means, a further reduction of about 63 per cent.

The existing rates of duty on files are lower than ever before, and are not excessive as a whole, while the rates on the smaller sizes of files are sufficient to in a measure only satisfactorily establish their manufacture in this country.

The effect under the Underwood bill, if enacted into law, is expected to be a very largely increased importation of files, but we submit that this would be a detriment to the country in general, and of no benefit in any way.

It would necessarily mean that a sufficient number of workmen, formerly required to be steadily employed to produce in the file factories of this country the quantity of files hereafter expected to be imported, would either lose their employment entirely; or, as a consequence of the increased importations, a larger number of workmen would be employed steadily only a portion of the time. This would be a decided injury to the country at large.

In addition, an increased importation of files would result in no benefit, for it is hardly conceivable to suppose that the price of files, because of such increased importation, to the ultimate consumer would be lessened to any appreciable extent after these files have successively passed through the hands of the importer, the jobber or distributor, and the retailer to the consumer himself.

Senator SIMMONS. Do you mean to say by that that the price at which you sell files to these middle people has no influence or effect upon the price which they charge the ultimate consumer?

Mr. POND. Not absolutely; but it would take a long time.

Senator SIMMONS. It seems to me that is the meaning of what you have just read.

Mr. POND. I think an increased importation of files, as I have stated, would hardly decrease the price to the ultimate consumer after these have passed through the hands of the importer, the jobber, and the distributor to the retailer.

Senator SIMMONS. That means the price at which these middle men buy this thing originally from the producer or importer does not affect the price he charges the consumer?

Mr. POND. Perhaps I can better answer the Senator by claiming—I think it is a fact—that the price to-day to the ultimate consumer in many cases is no different on certain grades of files from what it was 10 or 15 years ago; whereas the price to the distributor is materially lower.

Senator SIMMONS. The point I am getting at is, admitting for the sake of argument, that these middle men do add very large profits for themselves, still, is it not a fact that if they have to pay a lower price for the article as it comes from the producer, or the importer, the price to the consumer would, in some way or other, to some extent, at least, be reduced?

Mr. POND. But my point was that the large consumers of files are the large machine shops. The particular consumer that I speak of here is the small man using files, and it would be the desire to reduce the price to him. He buys files in very small quantities, one, two, or a dozen files, and consequently goes to the small retail dealer for them. It would take a very long time, probably many years, before the price to that class of consumer would be materially reduced.

Senator SIMMONS. I think your first statement, unexplained, would mean that the price which the consumer would have to pay for these articles would not be affected by the price which the manufacturer got.

Mr. POND. Then I would like to have that in the record, that the consumer I have particularly in mind here is the smaller consumer, the man who runs his own machine shop, and pays his own file bills, for that is the man whom any reduction of price would affect, as far as his living is concerned, as far as any benefit to the country is concerned.

The sure effect of any increased importation of files would be a constant pressure brought to bear upon all the manufacturers of this country for reduced prices, which would necessarily mean both reduced returns on the investment represented in the industry, and reduced wages to the operatives employed.

Senator SIMMONS. The duty at present is practically prohibitive, is it not; that is, there are practically no importations now?

Mr. POND. I will come to that, if you will allow me to proceed.

Senator SIMMONS. Certainly; go ahead.

Mr. POND. The duty on files has, for the past 35 years and more, been uniformly a specific duty, and the change to the ad valorem rate would be seriously detrimental to the domestic maker.

Apart from the greater difficulties in determining a proper basis for the ad valorem duty, the actual duty becomes an uncertain and varying amount, subject to the fluctuating conditions of foreign markets, and always to the conditions of that one of them that is for the time being most depressed; and also subject, in the absence of a provision fixing the dutiable value at the fair market value for home consumption in the country of origin, to the discriminating export prices common in several European countries, and to the mood of any irascible foreign competitor, who, by low quotations and the exportation of a few files, can effectually demoralize this market at insignificant cost to himself, the quantity of goods actually imported being no measure of the injury done.

Aside from this it must be taken into consideration that the files under 7 inches in length constitute the bulk of the importations under existing conditions. The manufacture of these small files represents a large percentage of our product, employing a great number of skilled workmen. The percentage of labor cost in many of these small files ranges very high—many times as high as from 80 to 99 per cent of their cost. Therefore on these smaller and finer files a relatively larger percentage of duty is not only advisable but absolutely imperative if the domestic maker is to continue to supply this class of goods to the consuming public and maintain his factory on the present basis of operation and wages paid.

Should the proposed bill become a law there is absolutely no question but that the business of the American file makers in these smaller sizes of files would be seriously retarded, regardless of any effort to meet these changed conditions by reductions in wages to reduce costs.

The net market price of files has in this country gradually and continuously declined for many years past, notwithstanding the gradual increase in rates of wages paid, the increased cost of material, and of all fixed charges through the reduction in operating time enforced by State legislation.

There exists between the file makers of this country actual and active competition of the keenest kind. These file makers are, at least in so far as this company is or has been concerned or is aware, entirely independent of each other in the conduct of their business, with no trade agreements or relations of any character either directly or indirectly affecting their affairs.

Senator SIMMONS. Is that competition for customers, or is it a competition in price?

Mr. POND. In every way.

Senator SIMMONS. Is not the price paid uniform throughout the country?

Mr. POND. No, sir; it is not.

Senator SIMMONS. The price of files varies at different places?

Mr. POND. At different places and in accordance with the manufacturer. The different makes of files vary in price.

Senator SIMMONS. I am now taking the same file; does not that sell for the same price throughout this country?

Mr. POND. Not generally; it varies in accordance with the demand in different markets.

Senator SIMMONS. As a rule, is there not a standard price which is maintained all over this country? I am assuming there may be competition among you for customers.

Mr. POND. What do you mean—our price or the retailer's price?

Senator SIMMONS. I mean your price, of course.

Mr. POND. Our price on files is for the same class of trade more or less practically the same throughout the country; not absolutely.

Senator SIMMONS. You say you have competitors?

Mr. POND. Yes.

Senator SIMMONS. Competitors for customers; do they not charge the same that you do?

Mr. POND. No, sir.

Senator SIMMONS. For the same file?

Mr. POND. No, sir.

Senator SIMMONS. They charge a different price for identically the same file?

Mr. POND. Yes, sir.

Senator SIMMONS. It would seem that the man who would charge the lowest price would get pretty much all of the business.

Mr. POND. Quality being equal, he ought to.

Senator SIMMONS. I was asking you about the same quality.

Mr. POND. You said the same file, did you not?

Senator SIMMONS. I assumed the same quality of file; I am assuming more than one man is making the same file, of the same quality.

Mr. POND. That would be a very hard question to answer. The comparative quality of different makes of files is a thing upon which a dozen men would naturally differ. The file that is demanded in one section can maintain a price which the same file in another section, because of the lack of demand, could not maintain.

Senator SIMMONS. I understand your explanation.

Mr. POND. We employ a very large percentage of highly skilled and well-paid labor. Up to this time our workmen have practically never been idle except by their own preference. Hours of labor are as regulated by State legislation and remuneration received by our operatives is better than ever before in the history of file making.

Common laborers employed in file making in this country under the present scale of wages paid by the Nicholson File Co., which corresponds, we believe, with those paid by other American makers, is as follows: Laborers and helpers, \$1.40 to \$1.80 per day; skilled workmen, \$2.40 to \$4.25 per day.

We are unable to secure up-to-date authentic information as to the prices paid for similar labor in like factories abroad, but our last advice on this subject shows that a few years ago wages paid in representative file factories in Germany averaged for laborers and assistants 64 cents to \$1.08 per day; skilled workmen, 85 cents to \$2.14 per day.

Senator SIMMONS. Did you give the number of years ago?

Mr. POND. A few years ago. I think I may be able to make that a little more definite. My impression is that was the year 1909, but I can not say definitely.

We present herewith, marked "Exhibit A," a 2-inch round file, which is as light and small as any file we keep in stock. In pro-

ducing these files 1 pound of steel, costing 25 cents, will make 88 dozen files, having a net value of \$68.06. The labor expended by us on this pound of steel enhances its value 272 times its cost.

We also present herewith, marked "Exhibit B," a 5½-inch needle file. The needle file is one of the most important of these fine files, and the trade in them is quite extensive. This is also a file on which present importations are heavy.

The CHAIRMAN. You intend to leave those with the committee, do you?

Mr. POND. Yes, sir.

One pound of this steel, costing 19 cents, will make eight dozen files, having a net value of \$6.72, the labor enhancing the value of the steel 35½ times.

For the coarser and heavier kinds we present (marked "Exhibit C") a 14-inch flat bastard file. While this is not the largest or coarsest file that we make, it is one that has the heaviest sale of the larger and coarser kinds, and will represent a fair average of this class. One dozen of these files requires 21 pounds of steel, at a cost of 3½ cents per pound, or 73½ cents for the dozen files. These files are sold at about \$2.91 per dozen net. The steel, therefore, on the coarser kind of files is enhanced in value 3⅞ times.

Briefly stated, then, 1 pound of the finest grade is enhanced 272 times, 1 pound of the medium grade 35½ times, 1 pound of the coarser grade 3⅞ times.

The wide range of labor cost as shown by the above figures must make apparent to you, as previously claimed, the need of the continuance of the present greater protection in these small files as compared with the larger ones.

It will be seen that labor, mostly highly skilled, constitutes the major part of the cost of making files. This will be more readily apparent from a casual examination of samples herewith submitted under Exhibit D, showing several different files in many different stages of manufacture; we show only the principal stages, and those where the difference from one stage to another is more apparent to the eye.

Senator JOHNSON. Can you give us the ad valorem rate of duty upon these files you are now exhibiting?

Mr. POND. That particular file [indicating]?

Senator JOHNSON. Yes.

Mr. POND. What would be the equivalent of the ad valorem?

Senator JOHNSON. Yes.

Mr. POND. I think I can. I can not speak so definitely about the importations of that file into this country, because we have no way of knowing what any particular file is. They are classified according to length and not according to kind.

Senator JOHNSON. You meet competition largely, you say, with the shorter files?

Mr. POND. Yes, sir.

Senator JOHNSON. What is the ad valorem duty upon those shorter files?

Mr. POND. It would be impossible to say.

Senator LODGE. It is the same for all, is it not?

Mr. POND. The ad valorem percentage would be the same; but I think the Senator means the ad valorem net.

Senator JOHNSON. The specific duty makes it different, and I wanted that put in *ad valorem*, if you can do it.

Mr. POND. I think it would be impossible to give that on any particular kind of files.

Senator JOHNSON. Do you know the price per dozen at which these shorter files are imported?

Mr. POND. I do not.

In the making of every one of the files shown by these samples there are no less than 91 definite, distinct, and separate operations or handlings through which each individual piece must go from the time the steel reaches our factory until the time when the finished files are placed in our stock. These distinct operations can readily be enumerated if the committee desires this information. There are, in addition to these 91 distinct operations, many more minor operations during which every file must be handled separately in process of manufacture.

A consideration of the above and a casual examination of the samples shown will at once demonstrate the reason for the great comparative cost of labor in the cost of any finished file.

No less than 6,000 varieties of files are regularly made by this company. Every one of these files is a fine-edged tool which must be handled as a unit in practically every operation through which it passes, and after passing the cut stage is a very delicate tool and easily ruined or damaged if not handled with the utmost care.

Senator SIMMONS. You have been giving the cost of the steel that enters into these files of various sizes and qualities?

Mr. POND. Yes.

Senator SIMMONS. Are not these files made largely by machinery?

Mr. POND. All machine work, practically; but no automatic machine work. Every machine requires the attendance of an operator.

Senator SIMMONS. The additional expense of making the file is largely machine expense, is it not, expense connected with machinery?

Mr. POND. I think the machinery is a very minor expense.

Senator SIMMONS. You think that is a minor expense?

Mr. POND. A very minor expense; because one operator can operate only one machine and make one file at a time. There is no automatic machine in the file making.

Senator SIMMONS. What per cent of the balance of the cost would you allow for labor, and what for machinery?

Mr. POND. I do not know that I could answer that exactly, but I think I can give you the information you want.

Senator SIMMONS. Take that small file you had there. I do not know, but it would appear to me, a layman, that the bulk of the work in making that file was by machine.

Mr. POND. The bulk of the work is done on the machine.

Senator SIMMONS. Of course.

Mr. POND. But it requires the very close attention of the operator while the work is going on.

Senator LODGE. Machines do not work themselves, you know.

Senator SIMMONS. Of course not; I do not assume that, Senator. The point I make is that the bulk of that work is machine work, and not manual labor.

Mr. POND. But in the payment it is the man who gets the pay. The machine that makes that file is a very small investment, and

the labor cost, or the cost of making the file, goes into the pocket of the laborer. Fully 99 per cent of the cost of this file is labor.

Senator HEYBURN. How long would it take a man to make that file?

Mr. POND. I could not answer that because it has to go through other various different operations in the factory, all of these numberless operations.

Senator HEYBURN. How many machines operate on that file?

Mr. POND. It probably goes through a dozen machines.

Senator SIMMONS. How many men are employed?

Mr. POND. One man at each machine.

Senator SIMMONS. A dozen machines and a dozen men; and you say that 99 per cent of the cost of that is labor?

Mr. POND. Yes, sir.

Senator HEYBURN. Are the men employed about equally as to time?

Mr. POND. I would hardly think so, because the forging of that file is a quick operation; the grinding of it is a very careful operation; the filing of it before it is cut, is an exceedingly delicate operation because it is a very small file, and it has to be absolutely round and shaped just right; and the cutting, which is under a machine, is also very delicate or very many of the files would be broken.

Senator HEYBURN. When does it get its temper, before it is cut or afterwards?

Mr. POND. After it is cut.

Senator SIMMONS. Starting at the beginning of the manufacture of that fine file, which you say has to go through about 12 machines, would it be finished on the same day?

Mr. POND. It probably would not be finished in a month.

Senator HEYBURN. You could finish one in a day by just going from one machine to another, could you not?

Mr. POND. No, sir; we could finish it in a day if we had the machines ready and could take it immediately from one to another.

Senator HEYBURN. What period of hours or minutes would be required to make one of those files if you just passed it steadily along?

Mr. POND. I could not tell you.

Senator HEYBURN. I remember early in life reading that it took nine men to make a pin. That was because it passed through the hands of nine men. This seems to be something of that same nature.

Mr. POND. Any reduction of the existing tariff, which experience shows is by no means prohibitive, will threaten the very existence of that branch of the industry, comprising great quantities of files included in the range of classes Nos. 1, 2, and 3 of the present tariff, except by a most radical cheapening of labor, and to a point which the present American standard of living will not warrant.

Senator SIMMONS. You said "by no means prohibitive." Are there many importations?

Mr. POND. Of these classes; yes.

Senator SIMMONS. What is the importation in proportion to the production in this country?

Mr. POND. Of such files as this, which I have marked "Exhibit B," I presume, as near as we can estimate, there are as many files imported as there are made in this country.

Senator SIMMONS. That is a high-grade file?

Mr. POND. That is a file on which there is very much labor. That is as near as we can estimate it. We have no absolute way of checking.

Senator SIMMONS. Are there any exportations of that? Do you export that?

Mr. POND. Not to any extent at all.

Senator SIMMONS. Do you export any of your files?

Mr. POND. Yes; we do.

Senator SIMMONS. What proportion of your files do you export?

Mr. POND. The percentage of our exportations to our total production would probably be from 20 to 25 per cent.

Senator SIMMONS. You export about 25 per cent of all you make?

Mr. POND. From 20 to 25 per cent; it varies.

Senator SIMMONS. You mean your individual firm does, or the country at large?

Mr. POND. Our firm.

Senator SIMMONS. Where do you export them?

Mr. POND. All over the world.

Senator SIMMONS. Where are they imported from?

Mr. POND. The importations coming into this country come—the figures I give are from memory, taken from the Government statistics—largely from Switzerland, France, and Germany.

Senator SIMMONS. Do you export any to France, Germany, and Switzerland?

Mr. POND. Practically very small quantities.

Senator SIMMONS. Where do you export them to, chiefly?

Mr. POND. To England, Russia, Africa, Australia, India, China—those are the principal countries to which we export.

Senator SIMMONS. When you export them to India you are in competition with England?

Mr. POND. Yes, sir.

Senator SIMMONS. When you export them to China and Africa you are in competition with Germany, are you not?

Mr. POND. Germany, and England also.

Senator SIMMONS. Tariff conditions are the same, as affect you and your German competitor, in China and in India, are they not?

Mr. POND. I think so.

Senator SIMMONS. You maintain your competition there very well, do you not?

Mr. POND. We do in competition with English makers; we do not attempt to meet the competition of German-made files.

Senator SIMMONS. Do you not have to meet it, though?

Mr. POND. We do not.

Senator SIMMONS. Why do you not?

Mr. POND. Our product is so much superior in quality that we are able to prove that we can sell at our prices in competition with the German-made file and hold the market.

Senator SIMMONS. The German has not caught up with you, then?

Mr. POND. Not in quality.

Senator SIMMONS. That is the only reason that you do not meet German competition in the other markets of the world—that they can not compete with you in quality?

Mr. POND. If the German file—

Senator SIMMONS. You said a little while ago that you did meet English competition.

Mr. POND. Yes.

Senator SIMMONS. Does England make a better quality than Germany?

Mr. POND. Yes, sir.

Senator SIMMONS. England makes a better quality?

Mr. POND. Yes, sir.

Senator SIMMONS. England makes as good a quality as you?

Mr. POND. Yes, sir.

Senator SIMMONS. Then you said a little while ago that you sold your files largely in England.

Mr. POND. Yes, sir; we do, largely.

Senator SIMMONS. You can compete with England in its own market?

Mr. POND. Yes.

Senator SIMMONS. You are not afraid of England, then, as a competitor in this market, are you?

Mr. POND. We would be under other conditions than the present.

Senator SIMMONS. What are the other conditions?

Mr. POND. Under the new conditions which would certainly come if the proposed bill becomes a law we would be afraid of English competition in this market.

Senator SIMMONS. You compete in England, and there is no tariff there?

Mr. POND. Yes.

Senator SIMMONS. The Englishman is at home?

Mr. POND. Yes.

Senator SIMMONS. And you go into his home and you compete with him there. Suppose the same conditions existed here—there were no tariff; could you not compete with the Englishman just as well in this market as you compete with him in his own market?

Mr. POND. I think I can answer your question, Senator. Files are sold by English makers universally on a price list that was adopted 75 or 80 years ago. It is entirely antiquated, and in it the price of the different files bears no relation to the cost of making those files. Under that price list many files are sold at prices lower than we could possibly meet.

Senator SIMMONS. Where?

Mr. POND. In all markets.

Senator SIMMONS. We are talking about the English market now.

Mr. POND. In the English market.

Senator SIMMONS. You said a while ago you did meet that.

Mr. POND. We could not meet that if we attempted to sell those particular files. There are certain files that we will not sell in England.

Senator SMOOT. You can not sell?

Mr. POND. We can not sell, because we can not meet the price.

Senator SIMMONS. But you said you were selling about 20 to 25 per cent of your articles abroad, and chiefly in England.

Mr. POND. No, I did not mean to say chiefly; I say largely. I can not give you the percentage that goes into the English market.

Senator SIMMONS. Very well; I will not press that any further.

Senator JOHNSON. What sizes do you sell in England?

Mr. POND. I could not say.

The present protection on files is in no way too great, and we most urgently petition that the existing specific rates of duty be maintained unchanged.

Bear in mind that within the past five years a number of foreign countries have materially increased their duties on files, notably France, Germany, Japan, and Sweden, with the result that whereas a few years ago this company did considerable business in each of these countries, it is now exceedingly difficult because of these tariffs to obtain any trade worth considering in these markets.

America is the best market in the world. A reduction in the rate of duty on files will immediately allow file makers all over the world to advantageously enter this market.

We submit that, taken as a whole, the file industry of this country is sufficiently important, as to capital and labor employed, and the value of the annual product, to most surely entitle it to continue to merit that degree of protection which it now receives.

Senator SIMMONS. What per cent of the total amount of files produced in this country are produced by the factories owned by the company you represent?

Mr. POND. I can not give that to you absolutely in dozens, but in value of product I would estimate from 50 to 54 per cent.

Senator SIMMONS. Then your company produces more than half the entire output?

Mr. POND. I believe we do.

Senator SIMMONS. Do you not control the price?

Mr. POND. No, sir.

Senator SIMMONS. You do not fix a price which the other smaller producers follow?

Mr. POND. Absolutely not.

Senator SIMMONS. You are not a trust then, although you do control more than half the output?

Mr. POND. I think I would go further than that and say—

Senator SIMMONS. I ask you that because I have always heard your concern characterized as a trust.

Mr. POND. I think the Senator has taken that more from the papers he has seen.

Senator SIMMONS. That is what I say; I have heard your concern characterized as a trust.

Mr. POND. We claim not to be a trust in any way. I have stated very emphatically in the paper which I have presented that, so far as our company is concerned, there is not now and has not been at any time any relation, agreement, or connection with any other company.

Senator SIMMONS. You did not need to have any if you control more than half of the output, did you?

Mr. POND. If we were attempting to control the prices we would.

Senator SIMMONS. If any fellow began to cut your prices could you not dispose of him pretty quickly?

Mr. POND. We state also in our paper that in the last 10 years prices of files have been continually declining.

Senator SIMMONS. Have you not acquired some plants which have begun to undercut your prices?

Mr. POND. Not because they have begun to undercut our prices.

Senator SIMMONS. But you have acquired some that did begin to undercut your prices?

Mr. POND. We have acquired plants that have been active competitors of ours; but not because they have been active competitors.

Senator SIMMONS. Were they not cutting your prices?

Mr. POND. No, sir; at the time we acquired them, no.

Senator SIMMONS. They were not underselling you?

Mr. POND. No.

Senator SIMMONS. Had they been underselling you?

Mr. POND. Not necessarily.

Senator SIMMONS. I am not asking whether necessarily, but I am asking for the fact. Had they not been underselling you; some of these plants that you acquired?

Mr. POND. On the average I would say not. I think our prices had been as low as any. I think, further than that, I had better add that since we have acquired these other plants our prices on the goods which they make have never been raised, but have constantly been reduced.

Senator SIMMONS. You have reduced them first, have you not?

Mr. POND. We have continued the reductions that might have been started.

Senator SIMMONS. It may be good business to reduce sometimes, may it not?

Mr. POND. It undoubtedly is.

Senator SIMMONS. How many plants do you control—separate plants?

Mr. POND. Four factories.

Senator SIMMONS. Where are they located?

Mr. POND. In Providence, R. I.; Paterson, N. J.; Philadelphia, Pa.; and Anderson, Ind.

Senator SIMMONS. You said about 6,000 men were employed in that industry?

Mr. POND. In the industry; that is, in our company and all others.

Senator SIMMONS. How many do you employ?

Mr. POND. From 2,800 to 3,000. I would like to leave with the committee this catalogue, which shows a large variety of files, and many of the files in actual detail, all photographic reproductions.

Senator HEYBURN. What are those fine files used for—what branch of the trade?

Mr. POND. Watchmakers, largely, and jewelers, ringmakers—all kinds of fine tool work.

Senator HEYBURN. I wanted to know the general class of factories in which they were used.

The CHAIRMAN. There are a number of representatives of the lead and zinc industries present or on their way to Washington, and I will ask Senator Heyburn to arrange the order of their procedure—any order he may select. I am informed that they do not care to go on with the hearing to any extent to-day, but will continue with it on Monday. However, they may start to-day and proceed for a time.

Senator HEYBURN. There are two zinc men here, one from Joplin, and one from the Coeur d'Alene country in Idaho, who say they will not occupy over 20 minutes each; and there would be time for them.

The CHAIRMAN. The committee will not hold an afternoon session, I assume.

Senator HEYBURN. These men would like to make their statements and be free to get home.

The CHAIRMAN. If you will call them, we will hear them.

Senator HEYBURN. I will first call Mr. Ruhl, of Joplin.

STATEMENT OF MR. ARTHUR T. RUHL, OF JOPLIN, MO.

Mr. RUHL. Mr. Chairman and Senators, we wish to speak upon paragraph 72 of the Underwood bill, which has placed zinc ores on the free list, while, under the Payne-Aldrich bill, it was paragraph 193, in which the duties were levied on a sliding scale, averaging from a free list, under 10 per cent, up to 1 cent on the metal content of the ore. I represent the Joplin ore producers, who perhaps have about 50 or 55 per cent of the production of the spelter ores of the country. We have employed in our industry somewhere between eleven or twelve hundred men, the labor of whom is distributed among four States, Missouri, Kansas, Oklahoma, and Arkansas. Our statement, of course, will concern the industry strictly in the Joplin district, while others interested in the zinc will present their side of the situation.

Senator HEYBURN. Your mines are strictly zinc-producing mines?

Mr. RUHL. We mine principally zinc. We have a by-product of lead. As compared with lead, our zinc is very much in excess, say 300,000 tons of zinc and about 40,000 to about 45,000 tons of lead ore.

Senator HEYBURN. Is the lead content sufficient to sustain mining in the absence of the zinc product?

Mr. RUHL. It is not, except in exceptional mines. We might have a few mines here and there scattered over the district that might mine for a small period of time.

Senator HEYBURN. So the cessation of the zinc mining would mean the closing down of the mines?

Mr. RUHL. In the Joplin district it would. We, of course, speak for the retention of the duty as it was levied under the Payne-Aldrich bill. In this statement of fact we wish to present three points of view. We wish to make clear that the two years under the Payne-Aldrich bill have demonstrated that the producers need the protection. Second, that the combination of large zinc deposits easily accessible in Mexico and with a cost of production below that in the Joplin district places zinc-ore producers in the United States in the position of seeing their industry decline and skilled American workmen seek labor elsewhere, or Congress must levy such a duty upon zinc ores as the merits of the case justify. Third, that the duty assessed under the Payne-Aldrich bill has been a revenue-producing measure. During the years since 1904 the United States Geological Survey has tabulated the imports of zinc ore. Since August 5, 1909, the date, I believe, the bill went into effect, there has been kept the metal content of the ores as they are imported. The importations of ores since 1904 have increased from 2,263 tons, as a minimum, to as much as 116,269 tons the year in which the Payne-Aldrich bill took effect. Since then the importations, in 1910, were 87,000 in round numbers; in 1911, 78,000 tons in round numbers. The metal content of those two years was 42,000 for 1910 and 31,640 for 1911.

Senator HEYBURN. You are speaking of tons now?

Mr. RUHL. Yes, sir; tons.

Senator SIMMONS. I may have misunderstood you, but if I understood you the increase was greater from 1904 to 1909, when the Payne bill went into effect, than it has been since 1909 up to the present time?

Mr. RUHL. The increase was from 1904 to 1909, before the Payne bill took effect.

Senator SIMMONS. Yes.

Mr. RUHL. In 1910 there was a decrease from 1909 of approximately 80,000 tons. The next year there was a decrease of about 9,000 tons more.

Senator SIMMONS. The imports, then, have been decreasing since the Payne bill?

Mr. RUHL. Yes.

Senator SIMMONS. They had been rapidly increasing before?

Mr. RUHL. Yes, sir.

Senator SIMMONS. What was the duty before the Payne bill?

Mr. RUHL. It was free. In the Joplin district our production has been running from a minimum of 252,000 tons, in 1905, to a maximum of 300,000 in 1909. We have been developing the Joplin district since 1860. It has taken us a half a century to build up the industry to the proportion which it now represents, while the Mexican importations, from which the bulk of the imports have come, have risen from 2,000 tons to approximately 115,000 tons in a period of only eight years; or it has taken them eight years to build up their importation as contrasted to our half century of work. That has been made possible by the costs of Mexican and Joplin labor, they being very greatly in contrast.

We have compiled from the United States consular reports the labor costs in Mexico, and have contrasted them in parallel columns with wages paid in the Joplin district. Those wages for the various classes of labor run this way: For instance, the ground boss in Mexico gets from \$1.42 to \$2.50. These values are all gold. The shift boss gets from 85 cents to \$1.10; shovelers, 50 cents; hoist men, \$1.50; jig men, from 75 cents to \$1.50; crusher feeder, 75 cents to \$1.50; laborers, 15 cents to 50 cents; blacksmiths, \$1.50. Now, compare that with the Joplin district. We have a mine boss at from \$4 to \$5; shift boss, \$3 to \$4; pump man, \$3; drill man, \$2.55; shovelers, \$2.50 to \$5; hoist men, \$2.50 to \$3; jig men, \$3 to \$5; laborers, \$2; blacksmiths, \$2.50 to \$3.50.

Senator SIMMONS. A day, you mean?

Mr. RUHL. These are day wages.

Senator LODGE. Do they work the same number of hours you work?

Mr. RUHL. No; they do not; ours is an eight-hour day.

Senator LODGE. They work longer hours?

Mr. RUHL. They work longer hours in addition to their lower scale of wages. We have taken in the Joplin district a list of mines which have been keeping some accurate production costs.

Senator HEYBURN. I would suggest that while you refer the tabulated statements, you also afterwards place them in the record.

Mr. RUHL. I will, Senator, be glad to do that. These nine mines which I have, from the Joplin district, comprise representative mines there, taken from various camps, as far as possible, and give a representative production cost over the whole district.

Senator HEYBURN. What do you mean by the district; what is included in that district?

Mr. RUHL. Kansas, Missouri, Oklahoma, and Arkansas. I have taken from that also, or compiled with that, the transportation cost to the railroad, the transportation cost to the smelter, giving the cost of the ore laid down at the smelter bins.

Senator HEYBURN. Where are those smelters?

Mr. RUHL. In Kansas and Oklahoma. The costs are tabulated here.

Senator SIMMONS. You compare the cost of transportation to the smelter from your mines, with the cost from the Mexican mines?

Mr. RUHL. Yes, sir. The average of these nine mines which I have taken is a numerical average of \$38.45 for a mining cost. The transportation cost to the railroad is 50 cents per ton. The cost of freight to the Kansas and Oklahoma smelters is 66 cents.

Senator SIMMONS. You mean 50 cents from Mexico?

Mr. RUHL. No; I am giving you the cost in the Joplin district. I will contrast this later with the Mexican mines. The total average cost is \$39.61 for a ton of zinc ore laid down at the smelters in Oklahoma and Arkansas. In Mexico we have been able to secure costs from 11 mines scattered over the producing territory of northern Mexico. The average there for the mining cost has been \$4.03. The average transportation cost to the railroad has been \$3.06. The freight to the smelters has averaged \$5.97, up to December 23, 1909, at which time the freight rate was raised on the national lines in Mexico to the border \$1.08 per ton. The total cost, the average cost, is \$4.03 for the mining cost, \$3.06 for the transportation to the railroad, \$7.05 for the freight to the Oklahoma and Kansas smelters; or a total cost, laid down at the smelter, of \$13.97, as contrasted with our cost of \$39.61.

Senator LODGE. Their labor cost is \$4.03?

Mr. RUHL. Their mining cost, including labor and all costs of mining at the mines.

Senator LODGE. Yes; their mining cost is \$4 and ours is \$38?

Mr. RUHL. \$38.45, to be accurate. Or there is a difference there between the cost of the Joplin ore and the Mexican ore between \$13.97 and \$39.61. To be fair to the Mexican ore, however, there is a difference in the metal content. The Mexican ore, as we have been able to get its grades, run somewhere between 30 and 45 per cent. According to the Geological Survey's figures, which I have been able to secure for the last two years, that metal content very closely approximated 40 per cent during the two years under the Payne-Aldrich tariff. For instance, in 1910 it was 48 per cent; in 1911 it ran just 40 per cent, or an average of approximately a little over 40 per cent. The Joplin ore runs a little below 60 per cent. But all our processes are based on a 60-per-cent grade. The average of the district is between 57 and 58 per cent.

Senator HEYBURN. Is that the result of concentration?

Mr. RUHL. That is the result of concentration; yes, sir.

Senator HEYBURN. And is the Mexican ore concentrated or shipped crude?

Mr. RUHL. The bulk of it is shipped crude; it needs no concentration. There are two mills we know about in the Mexican fields—one at Calera and one at Sonoro—the Calumet in Sonoro. But it re-

quires a calculation of the metal content of the two ores to be fair to the Mexican mines. The Mexican ore, say a 40-per-cent ore, on a ton would contain 800 pounds of metal. The Joplin ore, calling it a 60-per-cent ore, would contain 1,200 pounds of metal, or it would take approximately one and one-half tons of Mexican ore to make the same amount of metal that the Joplin ton or ore would have. Or you could buy three tons of that Mexican ore at \$13.97, for approximately the cost of the Joplin. Or, getting it down to the basis of the metal itself, you would have there a ton and a half of Mexican 40-per-cent ore containing 800 pounds of metal to the ton, or 1,200 pounds.

Senator HEYBURN. You mean a ton would contain 800 pounds?

Mr. RUHL. Yes; a ton of Mexican ore would contain 40 per cent, or 800 pounds; and a ton and a half of Mexican ore would contain 1,200 pounds, the unit which you would have to compare with a Joplin ton of ore. The ton and a half of Mexican ore at \$13.97, its cost laid down at the smelter, would be \$20.96, or the rightful amount which you should compare with the cost of the Joplin ore.

Senator SIMMONS. Then you mean the relative cost is 21 as against 38?

Mr. RUHL. Approximately; yes, sir. The comparative costs, then, would be \$20.96 and \$39.61, or a difference of \$18.65 between the two ores, relatively speaking.

Senator HEYBURN. You are speaking of the value of the ore. Have you taken into consideration the fact that on account of concentrating you have to mine about three tons of ore to get one of concentrates?

Mr. RUHL. I have taken that into consideration.

Senator HEYBURN. That goes into the wage account?

Mr. RUHL. That has gone into the cost of mining.

Senator SMOOR. All that is included in the \$39.61?

Mr. RUHL. All that is included in the \$39.61, the whole cost of both the Joplin and Mexican ores, as here compared, \$39.61 for the Joplin and \$20.96 for the Mexican. To equalize this difference it would be necessary to levy a tariff of $1\frac{1}{2}$ cents a pound on the metal content.

Senator HEYBURN. That would all come under the classification above 25 per cent?

Mr. RUHL. Yes.

Senator HEYBURN. It would come under the 1 cent per pound duty?

Mr. RUHL. Yes.

Senator HEYBURN. \$20 per ton?

Mr. RUHL. Yes, sir.

Senator HEYBURN. You do not take into consideration any ores that do not contain less than 25 per cent, either speaking of the Mexican or American ores?

Mr. RUHL. No; I am basing this comparison upon the average of the ores as given for the two years, 1910 and 1911, under the tariff.

Senator SIMMONS. Then, upon the basis of that same comparison you have an advantage over the Mexican in the freight rate to the smelter of how much?

Mr. RUHL. We have an advantage in freight rates there of between 66 cents, which is our freight rate, and \$7.05, which was their average freight rate.

Senator SIMMONS. I want to get the freight rate on the unit you used for the purpose of comparison.

Mr. RUHL. The unit of freight rate on the ton was \$7.05; on the ton and a half it would be practically \$10 even—\$10.50.

Senator SIMMONS. \$7 for the American and \$10 for the Mexican?

Mr. RUHL. No; it would be 66 cents for the American and \$10 for the Mexican.

Senator SIMMONS. \$10?

Mr. RUHL. Yes, sir.

Senator SIMMONS. So that you would have an advantage, then, of a little over \$9?

Mr. RUHL. \$9 in freight; but I included that in the cost.

Senator SIMMONS. You included that in the \$21?

Mr. RUHL. Yes, sir; that is included in the \$21. That is all included, the freight difference is all taken into consideration.

In the years since the Payne-Aldrich tariff has been in force we wish to show that the duty has been a revenue-producing measure.

Senator SIMMONS. Before you get to that, what you want is a duty that will equalize this difference between the cost here and there, and you claim that the present duty does that?

Mr. RUHL. According to the cost of production alone, Senator, our present duty, under the Payne-Aldrich bill, hardly meets that contention. But there is this to be said in extenuation of that: The Mexican will not sell his ore to the American smelter, of course, without a profit. You have to add, then, to the cost of production in Mexico a certain amount of money which he will consider his profit or which you must give him to induce him to sell. Therefore, there may be some extenuation for the cent and a half difference in production of the ore, whatever he will take now above that. If he is content with a dollar a ton profit on his ore, for instance, that dollar a ton must be divided, say, by the 1,200 pounds and deducted from the difference in cost of production to induce him to sell it over here.

Senator SIMMONS. So that you contend that this duty does not equalize the difference in the cost, and because of that there are importations, and that the duty is a revenue-producing duty?

Mr. RUHL. Yes, sir; I contend that has been made apparent in the history of these two years of the bill. Taking the imports, now, for the two years since the Payne-Aldrich bill has been in effect, we have had imported for consumption, from August 5 to the beginning of 1912, a total of \$2,214, under the one-quarter cent per pound duty; or the ores that came in during that period had 20 per cent zinc content. Under the 20 to 25 per cent zinc the duty is one-half cent per pound, and we had a duty collected there of \$18,546.47.

Senator LODGE. Those were very low grade ores?

Mr. RUHL. Very low grade ores; yes, sir. The higher grade ores, from 25 per cent zinc and over, which had the maximum duty of 1 cent per pound—the total duty paid on them was \$560,181.92, or a grand total during the period which the tariff has been on of \$580,942.62.

Senator SIMMONS. On what?

Mr. RUHL. On the whole importation of ores.

Senator SIMMONS. That is in a little over two years?

Mr. RUHL. Two years; and back until August 5, the time the bill went into effect.

Senator SIMMONS. It produces probably a little less than a quarter of a million dollars a year revenue.

Mr. RUHL. A trifle over that per year.

Senator SIMMONS. In order that we may see to what extent that is the real revenue in proportion to the actual production in this country, what is our production, in dollars?

Mr. RUHL. For our ore, in the Joplin district, I think we can give that to you. Our value of the ore runs from twelve million to fourteen million a year, for our zinc ore production. We have no figures available to show the valuation of the ore in the remaining States of the Union—22 other States that produce zinc. So far as I know, there are only two of our districts that keep the valuation of the ores; that is, our own and the Wisconsin district. It is made up in the value of spelter. I might say, in connection with this, that during the time this bill has been in effect the production in the United States has greatly increased. In 1909 we produced 230,225 tons of domestic spelter, while in 1910 we produced 252,479 tons of spelter; in 1911, 271,621 tons of spelter. Or our production has greatly increased in the country at large in domestic ore—distributed, of course, over the 22 States. Our foreign production of the metal during the two years was, in 1909, 25,535 tons, and in 1910, 16,708. The production in 1911 was 14,905 tons.

Senator HEYBURN. Those are our importations?

Mr. RUHL. That is the spelter produced from the imported ores. So that we contend that the zinc industry has been benefited in the United States by the duty as it stands under the Payne-Aldrich bill. And we have found that it has helped us maintain our price; it has kept our mines going.

Senator SIMMONS. What are your profits?

Mr. RUHL. In the Joplin district?

Senator SIMMONS. Yes.

Mr. RUHL. I will read you here the costs of these various mines. I will give you the average price of ore in that district.

Senator SIMMONS. I do not think that will help us much. If you know what your rate of profit on your operations is, and can boil it down in per cent, I think that would be amply sufficient for the purpose I have in view in asking the question.

Mr. RUHL. Our profits would average from 10 to 15 per cent, varying with the character of the mine and the life of the mine.

Senator HEYBURN. You mean throughout the life of the mine, or at present?

Mr. RUHL. I should say at present.

Senator HEYBURN. That is quite material. How much was lost before it commenced to make that per cent?

Mr. RUHL. Of course, in the year 1908 we suffered from the panic as the rest of the country suffered from the panic. A great many of the mines closed down. In 1909, while the industry revived somewhat, it was impossible to open up a very large number of our mines, owing to the inability to sell the ore in competition with Mexican ore until after the imposition of the duty.

Senator LODGE. In that connection let me ask you, the change in the zinc situation was owing to the opening of these Mexican mines, was it not?

Mr. RUHL. We take it to be so; yes, sir.

Senator LODGE. Before you had the Mexican competition, and the ore was free, what did you have to compete with then?

Mr. RUHL. We had nothing to compete with up until 1904 to speak of; with the exception, of course, of our domestic producers elsewhere in the country.

Senator LODGE. There was no competition from Europe or Asia?

Mr. RUHL. No. The European people, of course, take care of practically all the European production of ore. They are importers of ore.

Senator LODGE. It is the Mexican production which changed the situation and led to the imposition of the duty?

Mr. RUHL. Yes, sir. We therefore submit that, with these facts, based entirely upon the statistics as compiled by the United States Geological Survey—all the way through we have taken their figures on production both on the ores and spelter—that even under the Payne-Aldrich tariff—

Senator SIMMONS. You have made a profit of from 10 to 15 per cent; did you carry anything for surplus?

Mr. RUHL. No; we do not carry a surplus fund down there. We charge up against the mines directly each and every cost that comes up.

Senator SIMMONS. That would then cover profits of every kind, direct and indirect?

Mr. RUHL. Yes, sir; it would.

Senator HEYBURN. Can you estimate the investment upon which those profits are made, the present plant and past depreciation?

Mr. RUHL. I can give you here the actual investments in a number of mines, if you care to have them; or I can submit them in a brief, and have them go in my remarks.

Senator HEYBURN. I suggest, Mr. Chairman, that that book go in the record. It seems to be prepared for the occasion.

Senator SIMMONS. The whole book?

Senator HEYBURN. Yes; it contains only a few pages.

Mr. RUHL. It is 10 pages of argument and the exhibits of these particular mines. I include the mine cost of each mine.

The CHAIRMAN. Leave the book with the stenographer.

Senator HEYBURN. It was prepared as a brief in this case?

Mr. RUHL. Yes, sir; it was prepared as a brief. With that we desire to submit our case.

STATEMENT OF MR. H. F. SAMUELS, OF WALLACE, IDAHO.

The CHAIRMAN. Before you go on, Mr. Samuels, I would like to ask Senator Heyburn how long on Monday of next week the lead and zinc people will want to be heard. I want the information so as to advise others who want hearings.

Senator HEYBURN. Mr. Chairman, a number of the witnesses named on the daily order of business will not be called. These people have consulted among themselves and they hand me a list of seven persons who desire to appear, representing the industry.

The CHAIRMAN. They will probably occupy Monday and Tuesday!

Senator HEYBURN. I would think so.

The CHAIRMAN. That is, lead and zinc both?

Senator HEYBURN. No; the zinc question will be exhausted with Mr. Samuels, with the exception of one of the witnesses called in

regard to lead, who will lap over on to the zinc, being familiar with both.

The CHAIRMAN. Then it is reasonable to suppose, as near as these things can be foretold, that Monday and Tuesday will be taken up with the hearing on lead.

Senator HEYBURN. Mr. Chairman, the question is as to how much of the days they will be allowed to speak. The Senate will be sitting Monday and Tuesday.

The CHAIRMAN. It will be difficult to sit more than three hours each morning.

Senator HEYBURN. Then I would ask that an extra day be set aside.

The CHAIRMAN. Monday, Tuesday, and Wednesday?

Senator HEYBURN. These gentlemen say Monday and Tuesday will be enough.

The CHAIRMAN. We want to give them all the time they desire.

Senator HEYBURN. I think on my responsibility I will request that the three days be allowed.

Before this witness testifies I want to read into the record a telegram which I received this morning in connection with the subject of his testimony. It is from Spokane, addressed to me, and is as follows:

SPOKANE, WASH., February 16-17, 1912.

Hon. W. B. HEYBURN,

United States Senate Chamber, Washington, D. C.:

Northwest Mining Congress, in session, representing Arizona, New Mexico, Utah, Alaska, Washington, Oregon, Montana, Idaho, and California, unanimously passed strongest resolution possible denouncing Underwood bill or any other measure interfering with lead and zinc tariff now existing. We urge your support in this cause.

EUGENE R. DAY.

The CHAIRMAN. Now, Mr. Samuels, please state your full name to the committee.

Mr. SAMUELS. H. F. Samuels.

The CHAIRMAN. Where do you reside?

Mr. SAMUELS. Wallace, Idaho. My home is Wallace, I live there, and have lived there for the last 18 or 20 years.

The CHAIRMAN. You are in the zinc business, I believe?

Mr. SAMUELS. Yes, sir.

The CHAIRMAN. With what company are you identified?

Mr. SAMUELS. I am identified with the Success Mining Co., which is the pioneer zinc producer of Idaho.

The CHAIRMAN. Go on with your statement.

Mr. SAMUELS. Before I begin, I wish to sincerely indorse all that has been said by the gentleman from Joplin, Mr. Ruhl, for he has portrayed the conditions of the labor fully. In regard to our section. I wish to state that the zinc industry in Idaho is a new industry, and it has developed in the last few years. For your consideration of the tariff on zinc and lead, we desire to urge the necessity of the maintenance of the present duty on these metals in order that those who have already invested large sums in the development of this industry in the State of Idaho may receive a proper return of their investments and also encourage the development of many deposits of zinc with a by-product of lead and silver, which, with the protection of the present duty, will be developed, and which without such protection will remain undeveloped.

The reduction of the zinc ores to a marketable product was first developed in the Coeur d'Alene mining district of Idaho by the Success Mining Co., and this company is still the main producer of this metal, which, by the successful mining and milling of zinc ores, has encouraged many other zinc mines of this district to enter upon the zinc production. Discoveries were made in the Success mines in 1905 of extensive ore shoots, which were principally of zinc ore with a by-product of galena; that is, silver and lead. These ores, in order to be marketed, had to be concentrated—that is, to separate the galena from the zinc, and from the gangue and other ingredients—so as to be of sufficient metallic value to pay for mining, milling, and shipping; and to do so the Success Mining Co. (Ltd.) had to erect a concentrator, and, as there had been no zinc mined or shipped in this district, it was a new experiment. The undersigned made a trip to the zinc mines of Missouri and elsewhere to get familiar with zinc concentrators, but in comparison found that our zinc sulphide was quite different in its ingredients from other zinc ores, so it was up to us to work out a successful separation. We proceeded by building a mill at a cost of about \$25,000. The principal cost was labor, changing and adjusting and remodeling our rolls, jigs, tables, etc., as we were the pioneers of the zinc industry of the State of Idaho, it was up to us to try to solve the problem of concentration. With this experimental mill we were able to make a product that we could sell, but we could only handle the best grade of the zinc, so that the feed had to run about 25 per cent zinc to pay expenses. We were convinced that we could improve on this, and remodeled and enlarged the mill with a cost of about \$50,000. This made a much better saving and we could handle a lower feed, but our loss in the tailings was still very large, losing about one-half of the zinc contents. We continued on with our experimenting and were convinced that by certain other changes, remodeling, and additional machinery, we could handle a low-grade feed of about 10 per cent, for this is as high a grade as our ore deposits will produce, and permit us to mine all the ore.

Senator HEYBURN. You mean by that ore carrying 10 per cent zinc?

Mr. SAMUELS. Yes.

Senator HEYBURN. Crude ore?

Mr. SAMUELS. Yes. Then that feed or ore is the rock that is disseminated all through the ore, that is bound to break down and get into the mill, and that is the object of the concentrator—to take the rock and the other ingredients out so that you have an ore which you can ship and sell. This additional change in the mill has cost us about \$100,000. But we could not continue the shipping of our ores until we had a protective tariff to help us, which was afforded by the Payne-Aldrich bill. In milling a higher grade we could only do so by gouging out the high-grade deposits. We were ready to make this change when, in the fall of 1907, the price of spelter dropped to below 5 cents, at which price we could not pay running expenses. So we closed down and remained so until in July, 1909, which was after the passage of the Payne-Aldrich tariff bill placing a duty on imported zinc ores which assayed more than 10 per cent, all 10 per cent zinc ores or less entered free, and thus causing the price of spelter to rise above 5 cents. We felt assured that the tariff on zinc would be permanent and that the zinc industry would be protected;

and, with this belief, I borrowed the money to make the changes, and purchased the necessary new machinery and enlarged the concentrator the way we had figured before the drop of spelter in the fall of 1907. This change, with the additional new machinery and the readjustment of the old, together with the labor bill, cost a little over \$25,000. Thus our concentrator, including all of the changes, etc., has cost us a total of about \$100,000; so, after seven years of constant work and experiment, we have a concentrating mill of such efficiency that it will successfully handle our zinc ores so we can separate the zinc from the lead and make a marketable product of lead and zinc, the silver values being with the lead.

We will now give a synopsis of the expenses and receipts of the various years since we began the development of the Success mine.

The following table shows the scale of wages paid by the Success Mining Co. (Ltd.), for eight-hour shift (eight hours constitute a day's work), and also the table shows the price paid for same labor in Mexico. The figures are taken from United States consular reports and reports of Fredrick S. Cook, a mining engineer of Joplin, Mo.:

	Wages paid.
Mine (kind of labor):	
Miners.....	\$3.50
Shovelers.....	3.50
Trammers.....	3.50
Timber helper.....	3.50
Hoist man.....	3.50
Timberman.....	4.00
Shift bosses.....	5.00
Blacksmith.....	5.00
MILL:	
Crusher feeder.....	3.50
Table man.....	3.50
Jig men.....	4.50
Ore loaders.....	4.00
Teamsters.....	4.50
Common labor.....	3.50
Compress man.....	4.50
Mechanical engineer.....	4.50
Chemist.....	4.25

Synopsis of receipts and expenditures from and in the production of zinc and the by-products of lead and silver of the Success mine.

Year.	Expenditures.	Receipts.	Deficits.	Profits.
1905.....	\$47,968.34	\$1,615.74	\$46,352.60	
1906.....	75,644.12	69,162.92	52,523.80	
1907.....	156,958.42	157,862.82	51,929.40	
1908.....	10,322.18	3,192.30	59,059.28	
1909.....	107,437.70	181,345.69	45,151.20	
1910.....	129,537.63	205,070.09		\$30,061.17
1911.....				

Senator HEYBURN. In that year, 1907 itself, there was little profit!

Mr. RUHL. There would not be any profit; that is, the receipts of the ore would exceed the absolute cost of the labor for mining. This that I am giving you is only the cost in regard to the labor and material that goes in. Of course, in the drop of 1907, spelter dropped so that we could not ship any in 1908 or 1909 until the Payne-Aldrich bill was passed, which placed the duty on zinc ores, which caused the advance of the zinc so that we could proceed again with our shipments.

I will give you a table of what we have expended each year for labor and the material, and the percentage of the cost for the labor. The information referred to is contained in the following table:

Table of expenditures for labor in operation of the Success mine.

Year.	Labor.	Supplies, etc.	Total.	Labor.
				<i>P. ct.</i>
1905.....	\$21,546.20	\$26,422.14	\$47,968.34	45
1906.....	45,742.35	29,901.77	75,644.12	60
1907.....	92,744.24	64,214.18	156,958.42	60
1908.....	3,798.70	6,525.48	10,322.18	36
1909.....	26,445.40	7,168.26	33,603.66	79
1910.....	84,830.95	49,003.09	133,834.04	64
1911.....	86,272.50	43,565.13	129,837.63	65

Here is the cost of our employees at the mine. In regard to separating the zinc from the galena and from the rock, it requires the best skilled employees we can get anywhere in order to separate and make a marketable product, and there is no employee of ours but what we pay \$3.50 a day.

Senator HEYBURN. That is the lowest wage?

Mr. SAMUELS. That is the lowest wage we pay for anyone on the job.

The CHAIRMAN. How many men are employed in this industry in Idaho? Have you any idea?

Mr. SAMUELS. Over the State, directly and indirectly, considering the zinc with the lead, I could not say. There is a large number—something in the neighborhood of 5,000—but in the zinc industry there are not so many, because they are just beginning to open up the great zinc deposits that we have in Idaho.

The CHAIRMAN. How does your cost at the smelter compare with the Joplin cost and the Mexican cost?

Mr. SAMUELS. In regard to the smelter we sell our ore on the car. In comparison with the Joplin district, added to the freight, we are virtually the same. Of course, our trade is much more than theirs. But in comparison there is very little difference in the cost of the production of 1 pound of metallic ore between our mines and theirs.

The CHAIRMAN. But laid down at the smelter it costs you a little more than it does at Joplin?

Mr. SAMUELS. No; we can lay it down practically at the same price.

The CHAIRMAN. So that there is the same difference between your cost at the smelter and the Mexican cost, as between the Joplin and Mexican costs?

Mr. SAMUELS. Yes; theirs is a higher per cent ore. In other words, we come from the West in virtually the same character, or category, that the Mexican does. Our ore averages for the year 40 per cent zinc.

Senator HEYBURN. That is the same as the Mexican?

Mr. SAMUELS. It corresponds with the Mexican.

Senator LODGE. Then the difference between your cost and the Mexican cost, of course, is larger, is it not?

Mr. SAMUELS. Yes; very much so for this reason, as I am informed by my friends from Joplin, that their ore obtained there is such that they can break it down without ever melting it and deliver at the smelter a 40 per cent grade. We have to use our very best skilled

labor and our mill after seven years of experiments in separating the rock from the ore. Nature has given them that advantage, while we have all this expense and toil of separation. That is in Mexico.

Senator HEYBURN. That is, your ore is not as high grade, after you have expended the price of your extra mining and concentrated it, as theirs is when they have concentrated it?

Mr. SAMUELS. Yes; theirs without even concentrating.

Senator HEYBURN. There is nearly 20 per cent difference?

Mr. SAMUELS. There is here 40 per cent.

Senator JOHNSON. That is the Mexican?

Senator HEYBURN. I mean the Joplin.

Mr. SAMUELS. Joplin produces the finest grade of zinc ore that is produced anywhere. That is taken for granted by all, for that is the basis on which the other ores are all bought and sold.

The following summary table shows the tons of ore mined and milled, and the relative per cent of zinc and lead contained in it, and the per cent of ore lost in the tailings; also the per cent of extraction; the average per cent contained in the concentrates, and the tons of concentrates produced during the years 1909, 1910, and 1911:

Year.	Tons crude ore.	Zinc, crude.	Mill tails.	Tons concen- trates.	Zinc concen- trates.	Extrac- tion.
ZINC.						
1909.....	11,143	Per ct. 11.6	Per ct. 4.4	2,026	Per ct. 40.0	70
1910.....	39,750	11.3	3.8	7,826	40.7	72
1911.....	51,000	11.6	3.8	9,935	40.0	78
LEAD.						
1909.....	11,143	1.5	.5	107	50.0	67
1910.....	39,750	1.25	.52	660	49.0	59
1911.....	51,000	1.5	.5	1,007	51.0	67

Production in pounds of zinc and lead in concentrates.

	Zinc.	Lead.	Ounces silver.
1909.....	1,628,800	107,000	3.581
1910.....	5,860,800	588,000	18.370
1911.....	7,948,000	1,037,140	33.570

The Success mine during the year 1911 mined and milled 51,000 tons of ore. That means the rock that is broken and goes into the mill.

Senator HEYBURN. Into the concentrator?

Mr. SAMUELS. Yes; into the concentrator. Mill and concentrator are, in the West, the same term. Of course, it means the concentrator.

The mill concentrated this ore from 5.13 tons into 1 ton, making 9,935 tons of zinc concentrates, assaying about 40 per cent zinc, and, as a by-product, we also shipped 1,007 tons of lead concentrates.

During the year 1911 we shipped 9,935 tons of zinc concentrates and 1,007 tons of lead concentrates, making the sum total of concentrates 10,942 tons. This cost \$139,837.63, or \$12.77 per ton of concentrates delivered at the railroad ready for shipping. One ton of 40 per cent zinc concentrates loaded on the railroad cars ready for shipment when spelter is 5 cents per pound, East St. Louis, is worth

\$12. That is the best price I can get from all the smelters from which I have received bids and seen personally. When we break even on our production at \$12.57 a ton, spelter must be worth \$5.11 per 100 pounds before we break even. When spelter drops below \$5.11 we have to close up, leaving nothing from the ore.

Senator HEYBURN. That is \$5.11 per hundred?

Mr. SAMUELS. Per 100 pounds, or 5.11 cents per pound. The average price of spelter for 1910 was \$5.37 per hundred. That gave us a margin of 26 cents. In 1911 spelter was averaging \$5.60, which gave us a little larger margin, whereby we finally paid our deficit.

- When spelter goes below 5.11 cents per pound (\$5.11 per 100 pounds) we can not pay running expenses, much less make any profit on our money invested or anything for the ore in the mine, and any reduction whatever of the present duty on zinc ore would reduce the price of spelter to 5.11 cents or less per pound (\$5.11 per 100 pounds). The average price of spelter, East St. Louis—that is, the price that regulates the sale of our zinc ore—for 1910 was \$5.37 per 100 pounds, and for 1911 was \$5.608 per 100 pounds, so any reduction of the present duty on zinc would close down the Success mine and every other zinc mine in the State of Idaho.

Since the Success mine has proved that the zinc sulphide ores of our district can be successfully separated from the lead and many obnoxious ingredients and made a commercial product of the zinc ore there has been much activity for the last year and many thousands of dollars have been expended developing and exploring zinc properties of the Coeur d'Alenes, such as Sunset Peak properties, Amazon-Manhattan, Chicago, Black Horse, Surprise, Highland Chief, Douglas, Amy, and many others, and judging from the geological formation of the Coeur d'Alene district, together with its history, there is no doubt but that with proper development great ore bodies will be opened up, which will furnish employment for many hundreds of men, and, in my opinion, this infant industry of zinc production in the Coeur d'Alenes, if protected by the present tariff duty, will in a few years produce as many pounds of zinc as it does now of lead, and the lead output for 1911 was about 250,000,000 pounds.

Without the present protective duty every zinc mine of Idaho, and also a great majority of the lead mines, together with all the zinc and lead prospects, would be closed down, and thereby drive the American citizen from his home which he has built for himself and family by years of hard work and economy, for in our district there is no industry but mining, and the miner, as well as the mine owner, would have to seek another occupation and a new abode, and the now prosperous homes and communities will become a wilderness.

So we sincerely ask that the present tariff on zinc and lead ores be maintained in order that the great resources of the State of Idaho can be developed, and also to keep faith with and protect the citizens who have already spent many years of hard labor and work, together with their money, in opening up and developing this industry.

In conclusion, we sincerely urge that this honorable Committee on Finance recommend and report for the maintenance of the present duties on zinc and lead ores.

I thank you.

Thereupon, at 1.10 o'clock p. m., the committee adjourned until Monday, February 19, 1912, at 10.30 o'clock a. m.

APPENDIX.

BRIEF TO THE FINANCE COMMITTEE OF THE UNITED STATES SENATE BY THE
ZINC ORE PRODUCERS OF THE JOPLIN DISTRICT, COMPRISING PORTIONS OF THE
STATES OF MISSOURI, KANSAS, OKLAHOMA, ARKANSAS. SUBJECT: ZINC ORE.
SUBMITTED FEBRUARY, 1912.

HON. BOIES PENROSE,
*Chairman Finance Committee,
United States Senate, Washington, D. C.:*

The zinc-ore producers of the Joplin district desire to present to the Finance Committee of the United States Senate a statement of facts showing the necessity for the retention of the present duty on zinc ores.

This statement of facts aims to set forth the following arguments:

1. Two years' importations under present duty and subsequent investigations have demonstrated that the zinc-ore producers need protection.

2. The combination of large zinc deposits, easily accessible, in Mexico and with a cost of production below that in the Joplin district, places zinc-ore producers in the United States in the position of seeing their industry decline, and skilled American workmen (who own their homes) must seek labor elsewhere or Congress must levy such a duty upon zinc ores as the merits of the case justify.

3. The duty assessed under the Payne-Aldrich bill has been a revenue measure with incidental protection.

The zinc-ore producers of the United States are before Congress to ask that the relief granted under the Payne-Aldrich bill may not be stricken out.

During the two years in which the Payne-Aldrich bill has been in force there have been brought into the United States in 1910 87,046 tons¹ and 78,391 tons in 1911. It should be remembered, too, that the principal source of zinc-ore imports, Mexico, has been in a state of revolution, and had peace prevailed the imports would have been still larger. It has, however, brought in a large revenue. In the ores imported the metal contents have been 151,378,000 pounds¹ of zinc. Of this there have been reexported 31,972,984 pounds¹ of zinc melted in bond. The zinc ores that were imported for consumption, and upon which duty was paid, have brought in as revenue since August 5, 1909, the date of the Payne-Aldrich measure taking effect, a total of \$580,942.62. The following table, compiled from the reports of the Bureau of Commerce and Labor, show in detail the amount collected for each year and the grade of ore and declared valuation:

Imports of zinc ore for consumption under tariff of 1909.

	Gross weight (long tons).	Zinc content (pounds).	Value.	Duty.
Zinc ore or calamine containing less than 10 per cent zinc (free of duty):				
1909.....				
1910.....	734	31,899	\$608	
1911.....	975	77,383	1,411	

¹ From C. E. Siebenthal's report on zinc and cadmium for 1910 for U. S. Geological Survey advance chapter Mineral Resources of the United States. For 1911 the figures were obtained from Mr. Siebenthal's preliminary report to the U. S. Geological Survey on zinc, issued February, 1912.

500 DUTIES ON METALS AND MANUFACTURES OF METALS.

Imports of zinc ore for consumption under tariff of 1909—Continued.

	Gross weight (long tons).	Zinc content (pounds).	Value.	Duty.
Zinc ore, etc., containing 10-20 per cent zinc (duty, $\frac{1}{2}$ cent per pound):				
1909.....	1,057	333,144	\$8,690	\$832.57
1910.....	513	174,697	4,053	436.75
1911.....	562	377,884	8,705	944.71
				2,214.33
Zinc ore, etc., containing 20-25 per cent zinc (duty, $\frac{1}{2}$ cent per pound):				
1909.....	346	225,302	5,632	1,126.42
1910.....	4,195	2,355,748	25,126	11,778.75
1911.....	2,107	1,128,288	16,914	5,641.39
				18,546.47
Zinc ore, etc. containing 25 per cent zinc and over (duty, 1 cent per pound):				
1909.....	9,790	9,390,620	161,430	93,906.20
1910.....	48,059	39,921,989	713,684	399,219.39
1911.....	8,325	6,005,633	120,727	65,966.33
				599,181.92
Grand total.....				599,942.62

WHAT THE IMPORTS HAVE BEEN.

The following table gives the imports as compiled by the United States Geological Survey since the first importations were made, showing how serious a competitor foreign zinc ores are to the American ore producer:

Year.	Tons.	Metal contents.
1904.....	2,263	.....
1905.....	22,137	.....
1906.....	55,414	.....
1907.....	103,117	.....
1908.....	53,757	.....
1909.....	116,289	.....
1910.....	87,406	42,356
1911.....	78,341	31,649

Compare this with the production of Joplin zinc mining district for the same years:

	Tons.
1904.....	267,240.
1905.....	252,435
1906.....	278,929
1907.....	298,587
1908.....	259,598
1909.....	301,206
1910.....	296,671
1911.....	268,517

TOOK HALF CENTURY TO DEVELOP JOPLIN ZINC INDUSTRY, AGAINST ONLY EIGHT YEARS FOR MEXICAN ZINC INDUSTRY.

Since 1907 the imports of foreign zinc ores have been running from 20 to 35 per cent of the total tonnage produced by the largest zinc-mining district in the United States. It has taken the Joplin district since 1860, or half a century, to build up its great industry, while the importations of zinc ores have grown to large proportions in only eight years.

COSTS OF MEXICAN AND JOPLIN LABOR CONTRASTED.

The following table gives the costs of labor in Mexico as compiled from United States consular reports on the zinc-producing regions of Mexico and from a recent report of Frederick S. Cook, a mining engineer. In a parallel column are placed the costs of labor for the Joplin district under normal conditions:

	Gold value of Mexican wages.	Usual wages, Missouri-Kansas district.
Ground boss.....	\$1.42-\$2.50	\$4.00-\$5.00
Shift boss.....	.85- 1.10	3.00- 4.00
Pump man.....	.25- 1.50	3.00
Drill man.....		2.75
Drill helpers.....		2.50
Shovelers.....	.50	2.50- 5.00
Hoist men.....	1.50	2.50- 3.00
Engineer.....	1.00	2.50- 3.50
Jig men.....	.75- 1.60	3.00- 5.00
Crusher feeder.....	.75- 1.50	2.50
Laborers.....	.15- .50	2.00
Blacksmiths.....	1.50	2.50- 3.50

From such a contrast of wage scales it is easy to see that the cost of production must be much lower in Mexico than it is in the United States.

MEXICAN MINING COSTS CONTRASTED WITH JOPLIN MINING COSTS.

The costs of Mexican ore production are given in a table following, compiled from the consular reports, and the Joplin mining costs are taken directly from the books of the Joplin mine operators. The costs are so arranged as to show the costs in the different stages from mine to Oklahoma and Kansas smelters.

Cost of ore production in Joplin district.

Mine.	Mining cost.	Transportation to railroad.	Freight to Kansas and Oklahoma smelters.	Total cost.
Federated mine, soft ground, Alba.....	\$42.81	\$0.50	\$0.66	\$43.97
Federated mine, disseminated, Neck City.....	33.38	.50	.66	34.54
Federated mine, sheet ground, Webb City.....	39.47	.50	.66	40.63
Do. A.....	40.56	.50	.66	41.72
Diplomat mine, sheet ground, Galena.....	36.70	.50	.66	37.86
Mc-Ark Nemo, sheet ground, Webb City.....	33.44	.50	.66	34.60
Oronogo Circle, disseminated, Oronogo.....	41.56	.50	.66	42.72
Kramer mine, disseminated and soft ground, Joplin.....	41.71	.50	.66	42.87
Matties Bros., sheet ground, Joplin.....	36.50	.50	.66	37.66
Average, 9.....	38.45	.50	.66	39.61

Cost of ore production in Mexican mines.

Mine.	Mining cost.	Transportation to railroad.	Freight to smelters.	Total cost.
E. S. Tuttle, Nueva Leon.....	\$2.00	\$2.50	\$5.33	\$9.83
Picachos, in Chihuahua.....	3.75	1.50	7.07	12.32
Calera, in Chihuahua.....	5.50	2.50	5.57	13.57
Santa Eulalia, in Chihuahua.....	2.00	2.18	5.57	9.75
El Potosi.....	4.00		5.57	9.57
Charcos, in San Luis Potosi.....	1.65	2.15	5.55	9.35
Mine in Tamaulipas.....	5.00	10.00	7.57	22.57
La Malinchi, near Monterey.....	2.00	2.50	5.45	9.95
El Moro.....	5.55	2.54	5.95	14.05
Saltillo, in Coahuila.....	8.00	2.50	6.45	16.95
Refugio mine, in Nueva Leon.....	5.00	2.25	5.33	12.58
Average, 11.....	4.03	3.06	5.97	12.89
Freight rate raised Dec. 23, 1909.....			1.08	1.08
	4.03	3.06	7.05	13.97

It will be observed that the average cost of Mexican ore is \$13.97, delivered at the smelter, contrasted with an average cost of the Joplin ore of \$39.61, or, 3 tons of Mexican ore can be produced at the same cost as 1 ton of Joplin ore.

The United States Geological Survey shows that Mexican ore closely approximates 40 per cent zinc.

Therefore 3 tons will have a metal content of 2,400 pounds of zinc (40 per cent of 2,000 pounds=800 pounds). A single ton of Joplin ore running 60 per cent would have 1,200 pounds of zinc (60 per cent of 2,000 pounds=1,200 pounds), or, for \$41.91 one could produce ore in Mexico containing twice the amount of metal that one could in the Joplin district for \$39.61.

IT REQUIRES \$18.65 ADDED TO COST OF MEXICAN ORE TO EQUAL THE COST OF AMERICAN ORE.

Since the metal content is the important factor in the discussion, it is essential in equalizing the costs that the basis of comparison be the metal content of the two ores. A ton of 60 per cent Joplin ore contains 1,200 pounds of metal, and it costs the Joplin ore producers \$39.61 to produce this ton of ore.

A ton of Mexican 40 per cent ore contains 800 pounds of metal, and to get the same amount of metal contained in a ton of Joplin ore requires a ton and a half of Mexican ore. The cost to produce the Mexican ore, as already shown, is \$13.97 per ton; or for a ton and a half, \$20.96. The difference between these two costs, \$39.61, the cost to produce a ton of Joplin zinc ore, and \$20.96, the cost to produce Mexican ore that will yield the same amount of metal as a ton of Joplin ore, is \$18.65. This \$18.65 represents the difference and a fair comparison of cost of the production of the two ores. The difference, \$18.65, is the amount which would have to be levied on that ton and a half of Mexican ore to make it equal the cost of producing the Joplin ore. Since there are 1,200 pounds of metal in the ore, and the difference in the cost of production is \$18.65, a tariff of 1½ cents per pound would have to be levied upon the metal content to make up this difference in cost. It would thus appear that the facts in the case necessitate a duty of 1½ cents per pound to equalize the cost in production.

With these facts showing large importations of zinc ore, even under the Payne-Aldrich tariff and bringing in a revenue in excess of \$580,000, the Joplin ore producers desire to submit the necessity of retaining the present duty and its incidental protection to the Joplin district.

ADDENDA AND EXHIBITS.

CALUMET AND SONORA PROPERTY IN CANANEA, SONORA, MEXICO.

[From F. S. Cook, mining engineer's, report.]

Rich mine: 45,000 tons blocked out; 20 to 50 per cent zinc. Has typical Joplin mill. Concentrates run 42 to 62 per cent zinc.

Freight rates.

From Cananea to border.....	\$0.90
From border to El Paso.....	1.25
From El Paso to Kansas and Missouri smelters.....	3.85
From Kansas City to Depue.....	1.50
Total.....	7.50

Mine ships from 90 to 100 tons per week.

Labor costs in American currency.

	American.	Mexican.
Foreman.....	\$3.00	.....
Engineer.....	6.00	\$3.50
Hoisting engineer.....	5.00	4.00
Machine men.....	3.50	2.00 and 3.00
Rough labor.....	.....	1.50 to 2.00

CHIHUAHUA.

[From F. S. Cook, mining engineer's report.]

Calera Mining Co.: 13 per cent zinc; concentrates, 47 to 49 per cent. Producing 25 to 30 tons concentrates per day.

Freight rates:	Per ton.
From Chihuahua to El Paso.....	\$2.70
From El Paso to Kansas and Missouri smelters.....	3.85
From Kansas City to Illinois and Wisconsin.....	1.50

CHIHUAHUA MINING COMPANY.

[From F. S. Cook, mining engineer's report.]

Largest producing zinc mine in this district. Ships approximately 10,000 tons of ore per month. Ore prices kept secret and ore bought by Empire Zinc Co. Two grades, one over 35 per cent, second from 28 to 35 per cent. Most labor in this camp done by Mexicans; only whites are superintendents and managing officers.

Labor costs.

Miners.....	\$1.00
Head Mexican miner.....	3.50
Mexican assayer.....	2.50
Blacksmith.....	2.00
Holsterman.....	3.00
Fireman.....	2.00
Blacksmith helper.....	1.00
Pipe man.....	1.00
Watchman.....	1.00
Head carpenter.....	3.00
Timbermen.....	1.50
Machine men.....	2.00
Machine helpers.....	1.25

MONTEREY DISTRICT.

[From F. S. Cook, mining engineer's report.]

Largest zinc-producing area in Mexico. Mines scattered and at a distance from railroad, one of principal costs being getting ore from mine to railroad. In one instance this amounts to \$1 per ton. Labor very cheap—from 12½ cents to 75 cents per day. Most of the ore runs over 40 per cent. (From United States Consular Report, dated October 26, 1908.)

At Picachos the case for ascertaining production cost is simple. Zinc ore alone is produced. The ore is broken down, run to the open, sorted, and loaded into the freight wagons. There is no hoisting or use of power. Practically all the cost is the cost of labor; \$3.75 covers mining and sorting. Hauling costs \$1.50 per ton, freight to Chihuahua \$1.50, to El Paso \$1.72, to Kansas points \$3.85; total, \$12.32 United States currency.

From the mine near San Ysidro a zinc concentrate 45 per cent zinc is produced with the silver-lead concentrate. The ore is found in large masses, and the cost of mining is very low. The cost of mining is chiefly the cost of labor. Milling enters as a factor here. There is no hoisting, and the mine is dry. Mining and milling costs \$5.50 per ton. Add freight to Chihuahua, \$2.50 per ton, to El Paso \$1.72, to Kansas points \$3.85; total, \$13.57 United States currency.

In Santa Eulalia the cost of production is also very low. The ore has been found in the development of the silver mines. It is broken down, hoisted, and shipped without sorting. No milling is done, but supervision is costly with present outfit. If we estimate mining and transportation to the main line at \$4 per ton, we have to add freight rate to El Paso, \$1.72; to Kansas, \$3.85; total, \$9.57, United States currency.

MEXICAN MINES.

H. B. Pulsifer, mining expert accredited by the State Department to assist consuls at Monterey, Chihuahua, and Saltillo to report upon zinc mining industry of Mexico, says, in a letter to Dr. C. B. Guinn, Webb City:

"E. S. Tuttle, Neuvo Leon, 125 miles south of Monterey, 33 miles from railroad and transportation to railroad, \$2.50. Labor, 48 cents per day; cost to mine, 10 cents per ton; 25 per cent zinc ore."

Mines at Picachos, in Chihuahua; total cost of mining and hauling to points in Kansas, \$12.32 per ton. (Daily Consular Report, Dec. 7, 1908.)

Calera mine at San Ysidro, in Chihuahua, has 45 per cent zinc ore. Total cost of mining, handling, freight, etc., to points in Kansas, \$13.57 per ton. (Daily Consular Report, Dec. 7, 1908.)

Mine in Santa Eulalia, in Chihuahua; the total cost to Kansas points, \$9.75 per ton; cost at mine, \$4. (Daily Consular Report, Dec. 7, 1908.)

El Potosi, Santo Domingo; cost of mining, \$4; freight to Kansas points, \$4.57. (Daily Consular Report, Dec. 7, 1908.)

El Moro; mining costs, \$5.56; to railroad, \$2.50; to smelter, \$5.95. (H. B. Pulsifer to Dr. C. B. Guinn.)

Saltillo, Coahuilla, Mexico, December 19, 1908.

Cost of production, \$2 to \$3; freight to railroad, \$1.25 to \$3; freight to smelter, \$6.45. (Consular report.)

Refugio mine in Neuvo Leon, Mexico; costs, \$5; freight to railroad, \$2.25; freight to smelter, \$5.33. (H. B. Pulsifer to Dr. C. B. Guinn, Nov. 8, 1908.)

On December 23, 1909, Consul General Kenna reported from Chihuahua that freight rates to the United States had been raised \$1.08 per ton and lowered to Tampico for foreign shipments.

John H. Cape, of Joplin, in sworn statement:

"Mine near Charcas, San Luis Potosi; mining costs, \$1.50; freight to railroad, \$2.15; freight to Kansas points, \$5.85; administration, 15 cents. Total cost, \$9.65."

Mine in Tamaulipas; mining, \$5; freight to railroad, \$10; freight to smelter, \$7.57. (From Consular Report, Monterey, Dec. 7, 1908.)

La Malinchi mine near Monterey; mining costs, \$2; freight to railroad, \$2.50; freight to smelter, \$5.45. (From Consular Report, Monterey, Dec. 7, 1908.)

MINING COSTS IN JOPLIN DISTRICT.

Mine No. 1.—This is a typical soft-ground mine in the Alba camp; ore disseminated through a soft matrix of mud, flint, and limestone with a hard stope; drifts 12 to 14 feet high; little pumping; gas engines for mill and compressor; pumps and hoist driven by steam; is 100-ton plant with sludge table; original investment is mill and equipment, \$11,000; two 160-foot shafts, \$3,200; prospect drilling, \$2,000; preliminary drifting, \$1,800. Total, \$18,000. The costs given are the average of a six-months period of operation, in which 95 tons per single shift were handled.

Soft-ground costs:	Per ton of rock.
Superintendence	\$0.021
Surface labor	.157
Underground labor	.340
Total	.518
Explosives	.049
Timber	.067
Hardware and supplies	.098
Fuel and gas	.065
Oil and waste	.012
Fire insurance	.005
Liability insurance	.015
Interest at 6 per cent on investment	.028
Total operating expense	.875
Amortization charge	.150
Grand total	1.034

Ore recovery, 8 per cent, with royalty of 10 per cent. Total cost of ore in bin, \$42.81. Cost of ore in bin includes royalty.

Mine No. 2.—Typical disseminated ground in Neck City; ore disseminated through hard flint and limestone; drifts 25 to 35 feet high; pumping fairly heavy; gas-engine drive for mill; steam employed for compressor, pump, and hoist. The mill is a 200-ton plant. The original investment, mill and equipment, \$14,500; two 180-foot shafts, \$6,600; preliminary development, \$8,000; prospect drilling, \$2,000; total investment, \$26,100.

The costs are given for a six months' period with an average tonnage of 185 tons per day, single shift.

Disseminated ore costs:	Per ton of rock.
Superintendence	\$0.009
Surface labor	.147
Underground labor	.242
Total labor	.398
Explosives	.120
Hard iron supplies	.089
Fuel gas	.124
Oil and waste	.015
Fire insurance	.005
Liability insurance	.014
Interest on investment	.019
Total operating expense	.784
Amortization charge	.122
Grand total	.806

Ore recovery, 3 per cent; royalty, 10 per cent. Average ore price, \$41.70. Total cost of ore in bin, \$33.38. Cost in bin includes royalty.

Mine No. 3.—Typical sheet ground mine, Webb City camp. Ore in hard flint ground. Drifts, 16 feet high. Pumping fairly heavy. Gas engine drive mill and air compressor. Pumps and hoist driven by steam. Capacity of mill 200 tons. Original investment is mill and equipment, \$16,500; two shafts, \$9,800; prospect drilling, \$1,600; preliminary development, \$4,000; total, \$31,900.

The costs given are the average for a six months' period, in which 203 tons per day were handled.

Sheet ground costs:	Per ton of rock.
Superintendence	\$0.010
Surface labor	.176
Underground labor	.337
Total labor	.523
Explosives	.137
Hardware and supplies	.162
Fuel gas	.083
Oil and waste	.014
Fire insurance	.004
Liability insurance	.016
Interest, 6 per cent on investment	.019
Total operating expense	.953
Amortisation charge	.101
Grand total	1.059

Ore recovery 3 per cent, with royalty of 10 per cent. Average ore price, \$41.70. Total cost of ore in bin, \$39.47. Cost in bin includes royalty.

Mine No. 4.—Sheet ground mine in the Webb City camp. Ore is in hard flint, drifts 18 feet high. No pumping. Pay \$60 per month to get water for mill use. Mill driven by gas engine. Expense of gas-driven air compressor divided with

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a neighboring mill. Mill 200-tons capacity. Original investment is mill and equipment, \$12,500; two shafts, \$8,000; prospect drilling, \$1,800; preliminary development, \$4,500; total, \$27,400.

The costs given are the average of six months, during which time 179 tons of ore were handled daily.

Sheet ground costs:	Per ton of rock.
Superintendence.....	\$0.012
Surface labor.....	.160
Underground labor.....	.330
Total labor.....	.502
Explosives.....	.131
Hard-iron supplies.....	.120
Fuel gas.....	.073
Oil and waste.....	.012
Fire insurance.....	.004
Liability insurance.....	.017
Interest, 6 per cent on investment.....	.017
Total operating expense.....	.976
Amortization charge.....	.106
Grand total.....	.982

Ore recovery, 27 per cent. Average ore price, \$41.70. Total cost of ore in bin, \$40.56. Royalty, 10 per cent. Cost in bin includes royalty.

Mine No. 5.—Typical sheet ground mine, in Galena (Kans.) camp. Ore occurs in hard flint ground. Drifts 12 to 14 feet high. Considerable pumping. Electrical power used throughout plant. Is a 250-ton model plant. Original investment approximately \$45,000. The costs given are the average of a 12-months period. Number of men employed, 55.

Sheet ground costs:	Per ton of rock.
Labor cost.....	\$0.4006
Power cost.....	.1060
Powder cost.....	.1728
Other expenses.....	.1616
Grand total.....	.8400
Tons of rock handled.....	106,581
Tons of concentrates made.....	2,729

Production of primary spelter¹ in the United States, 1906-1911.

[United States Geological Survey's 1911 Report.]

APPORTIONED ACCORDING TO SOURCE OF ORE.

	1906	1907	1908	1909	1910	1911
United States:						
Arizona.....	64	77	152	2,862	2,594	2,336
Arkansas.....	1,801	1,911	2,002	136	286	385
California.....		140	27			1,080
Colorado.....	32,456	26,077	24,885	20,121	23,238	42,332
Idaho.....	573	3,508	581	901	3,454	3,180
Illinois.....	282	1,446	298	675	1,551	2,584
Iowa.....	201	220	516		40	
Kansas.....	3,902	13,850	8,628	9,185	10,220	6,842
Kentucky.....	335	358	341	22	29	205
Maine.....		1				
Missouri.....	130,348	141,824	123,655	140,676	140,652	127,540
Montana.....	1,415		900	4,725	12,408	23,115
Nevada.....	1,768	1,692	398	826	1,516	1,685
New Jersey.....	11,206	13,573	6,625	16,035	20,217	15,138
New Mexico.....	555	136	134	3,961	4,911	3,778

¹ Primary spelter is made directly from ore, while secondary spelter is recovered from such sources as drosses, skimmings, and old metals.

Production of primary spelter in the United States, 1906-1911—Continued.

APPORTIONED ACCORDING TO SOURCE OF ORE—Continued.

	1906	1907	1908	1909	1910	1911
United States—Continued.						
Oklahoma.....		719	2,235	3,008	2,297	2,247
Tennessee.....	124	181	341	695	925	1,000
Texas.....	8	16				
Utah.....	2,449	1,972	282	5,960	7,221	7,004
Virginia.....	1,143	771	910	58	1,168	228
Washington.....	7					12
Wisconsin.....	11,057	15,273	17,538	20,381	19,752	31,809
Total domestic.....	199,694	228,745	190,749	230,226	252,479	271,621
Foreign:						
Canada.....	201	545	2,425	978	3,304	1,598
Mexico.....	24,875	26,570	17,250	24,557	13,401	13,307
Total foreign.....	25,076	26,115	19,675	25,535	16,705	14,905
Grand total.....	224,770	249,860	210,424	255,760	269,184	286,526

APPORTIONED ACCORDING TO LOCALITY IN WHICH SMELTED.

	1906	1907	1908	1909	1910	1911
Illinois.....	47,939	56,055	50,244	67,653	73,038	83,130
Kansas.....	129,564	134,108	99,398	103,299	105,697	98,413
Oklahoma.....		5,085	14,864	28,782	34,760	46,315
Other States.....	47,267	54,661	46,018	56,026	55,689	58,668
Total.....	224,770	249,860	210,424	255,760	269,184	286,526

Production of secondary zinc in the United States, 1907-1911.

	1907	1908	1909	1910	1911
Secondary spelter, redistilled.....	7,050	7,159	9,273	12,784	114,000
Secondary spelter, remelted.....	11,791	9,811	23,767	28,439	126,500
Recovered zinc in alloys, excluding old brass remelted.....	1,417	665	1,181	2,709	12,500

¹ Subject to final revision.*Production, consumption, imports, and exports of zinc ores and spelter from 1902 to 1911.¹*

	American spelter production.	Spelter made from for- eign ores.	Consump- tion of spelter.	Surplus stock, spelter.	Foreign ore im- ports, in tons.	Contents in tons, metal.	Reexports of metal in ore, in pounds.
1902.....	156,927		152,682	3,361			
1903.....	159,219		154,381	6,890			
1904.....	* 186,702		180,911	2,893	2,264		
1905.....	* 203,849		200,438	1,268	22,137		
1906.....	199,694	25,076	220,781	3,824	55,414		
1907.....	223,745	26,115	226,969	26,364	103,117		
1908.....	190,749	19,675	214,167	19,613	53,787		
1909.....	230,226	25,535	270,730	11,167	116,269		* 655,102
1910.....	252,479	16,705	245,884	23,201	* 87,406	* 42,356	* 9,420,984
1911.....	271,621	14,905	280,059	9,081	* 78,341	* 31,640	22,552,000

¹ From reports of the United States Geological Survey on mineral resources of the United States.² Includes some foreign spelter.³ After Aug. 6, 1909.⁴ Exclusive of 822 tons zinc ore containing 31,899 pounds zinc which entered free of duty as containing less than 10 per cent zinc. Also 15,451 tons of lead ore containing 2,644,111 pounds of zinc lost in smelting.⁵ Exclusive of 25,769 tons lead ore containing 6,233,437 lbs. of zinc which was lost in smelting.

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Production, consumption, imports, and exports of zinc ores and spelter from 1902 to 1911—Continued.

	Spelter imports for consumption, in tons.	Foreign spelter reexported, in pounds.	Foreign spelter exported in manufactures with benefit of drawback, in pounds.	American spelter exports, in tons.	American ore exports, in tons.	American zinc dross exports, in tons.	Value of American zinc manufactures exported.
1902.....	673	.....	.....	3,337	55,733	.....	\$114,187
1903.....	494	.....	.....	1,521	39,411	.....	71,384
1904.....	394	.....	.....	10,147	35,911	.....	117,867
1905.....	528	38,753	.....	5,516	30,946	.....	159,485
1906.....	1,122	2,779	4,469	4,670	27,720	15,887	204,339
1907.....	1,893	17,458	3,110,239	563	20,352	9,593	186,288
1908.....	850	16,748	2,468,365	2,640	26,108	8,405	88,426
1909.....	9,774	12,569	610	2,566	12,455	7,099	69,751
1910.....	1,317	94,672	8,972,427	3,990	19,711	4,724	101,226
1911.....	609	915,823	5,788,429	6,872	18,281	4,246	124,518

Per cent of ore in rock, 2.6; royalty, 10 per cent. Average price of zinc ore, \$39; total cost of ore in bin, \$36.70; cost in bin includes royalty.

Mine No. 6.—Sheet ground mine, located in Webb City (Mo.) camp. Ore occurs in hard flint ground. Drifts from 10 to 14 feet high. Little pumping. Driven with gas engine, except steam for hoist; 250-ton modern plant. Original investment approximately \$125,000. Cost given for one month's time.

Undistributed expense.

Sheet ground costs:	Per ton of rock.
Shop expense.....	\$0.01812
Superintendence.....	.02623
General expense.....	.04650
Mining:	
Drilling.....	.17200
Blasting.....	.22504
Shoveling.....	.14670
Tracking.....	.01604
Tramming.....	.02753
Hoisting.....	.03891
Power.....	.06881
Miscellaneous.....	.00723
Total mining.....	.70226
Milling:	
Milling.....	.06890
Culling.....	.01580
Power.....	.02691
Miscellaneous.....	.00953
Total milling.....	.14069
Grand total operating expenses.....	.91538
Tons of rock handled.....	7,625
Tons of concentrates.....	208.75

Total operating expense, \$6,982.67; royalty, 10 per cent; total cost of ore in bin, \$33.44; cost in bin includes royalty.

Mine No. 7.—This is a hard, disseminated ground, mine situated in Oronogo camp. Ore occurs in hard flint ground. Drifts vary from 10 feet to 40 feet

high. Considerable pumping. Steam used for power; has 250-ton. modern plant. Separate sludge mill. Original investment approximately \$300,000. These costs cover a period of one month in which 17,291 tons of rock were handled and 490 tons of concentrates were obtained. Average number of men working during past year (1911), 190.

Disseminated ground costs.

	Mine No. 2, low face.	Mine No. 2, high face.
Labor.....	\$0.443	\$0.317
Miscellaneous.....	.008	.008
Maintenance and repair.....	.089	.079
Powder.....	.240	.134
Pumping.....	.029	.039
Hoisting.....	.021	.031
Compressed air.....	.035	.035
Total mining cost.....	.865	.623
Milling:		
Labor.....	.066	.....
Belts.....	.007	.....
Crusher and rolls.....	.010	.....
Miscellaneous.....	.003	.....
Maintenance and repairs.....	.029	.....
Power.....	.066	.....
Total milling.....	.181	.....
Undivided expense.....	.067	.....
General expense.....	.039	.....

GENERAL SUMMARY.

Average mining cost to mine.....	\$0.787
Milling.....	.181
Undivided expense.....	.067
General expense.....	.039
Grand total.....	1.054

Royalties, 10 per cent; concentrates cost in bins, \$41.56; cost in bin includes royalty.

Mine No. 8.—Soft disseminated mine in upper levels, with hard disseminated ground in the lower level. Drifts run from 12 to 50 feet high. A small amount of pumping Corliss steam engines for power. A 450-ton mill, with sludge tables. Original investment approximately \$100,000. Employs 90 men. The costs here given are the average for the year 1911. Located at Cave Springs.

	Cost per rock ton.	Cost per con- centrate ton.
Labor, top and ground.....	\$0.5628	\$19.4868
Labor, office.....	.0288	.9996
Bank interest.....	.0145	.5408
Royalty.....	.1159	4.0119
Powder.....	.1109	3.8385
Supplies, including hard iron and belting.....	.1171	4.0634
Drill repairs.....	.0181	.6260
Assaying.....	.0043	.1397
Lubricating oil.....	.0131	.4536
Drayage and transportation.....	.0080	.2736

	Cost per rock ton.	Cost per con- centrate ton.
Lumber and plant repairs.....	\$0.0445	\$1.5439
Ground timber.....	.0084	.2918
Electric power.....	.0200	.6394
Insurance.....	.0395	1.3065
Prospecting.....	.0150	.5186
Fuel.....	.0691	2.3911
Expense.....	.0083	.2897
General office expense.....	.0067	.2312
Total.....	1.2060	41.7156

Total tons rock mined and milled, 127,437; total tons of concentrates produced, 3,681; percentage of ore in mine-run rock, 3.54 per cent; percentage of recovery, 2.89 per cent; percentage of extraction, 81.60 per cent.

Cost of bins includes royalty.

Mine No. 9.—Sheet ground mine in Joplin camp. Ore occurs in hard flint ground. Drifts 7 to 10 feet high. Some pumping. Steam used for power. 250-ton mill with sludge tables. The costs given cover the two years of 1910 and 1911.

Cost of production Sheet Ground mine.

	Cost per ton rock.	Total.
Labor.....	\$0.5204	\$129,449.50
Powder.....	.1850	48,506.25
Fuel gas.....	.1000	24,875.00
Supplies.....	.0902	22,437.25
Insurance.....	.0100	4,975.00
Oil.....	.0140	3,482.50
Administration.....	.0334	8,308.25
Depreciation.....	.0500	12,437.50
Total.....	1.0230	254,471.25

Total tonnage of rock milled in two years..... 248,750
Total concentrates made..... 8,191.9

Royalty is 12½ per cent; total cost of concentrates in the bin, \$36.50; cost in bin includes royalty.

Average monthly price of zinc blend ore at Joplin, Mo.

[Price of 2,000 pounds of ore in producers' bins.]

Year.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Year.
1896.....	24.00	23.50	23.00	23.00	21.50	21.00	21.50	21.00	20.00	20.50	23.50	25.50	22.33
1897.....	22.12	21.50	21.00	21.12	21.60	21.87	22.50	22.50	22.62	22.75	23.50	24.25	22.28
1898.....	23.00	23.50	23.00	24.62	25.50	28.50	28.00	28.37	31.00	33.70	36.25	37.00	28.44
1899.....	32.25	43.37	43.40	51.50	50.50	45.50	44.20	45.00	43.75	43.50	35.00	36.00	38.54
1900.....	30.25	29.36	28.45	28.42	26.92	25.00	24.23	25.67	24.25	24.25	24.45	25.40	26.50
1901.....	23.73	23.96	23.70	24.58	24.38	24.22	24.68	23.88	22.82	21.63	26.15	26.24	24.21
1902.....	26.75	27.00	28.00	28.85	20.23	34.10	34.37	32.50	33.58	33.58	32.10	29.25	30.73
1903.....	34.50	32.50	35.75	37.75	36.60	36.50	36.00	36.00	34.40	34.40	30.75	30.00	24.44
1904.....	32.12	34.00	36.00	36.40	34.63	32.62	35.00	37.00	40.40	40.00	44.25	46.13	37.49
1905.....	51.94	53.65	47.40	43.93	43.74	40.75	43.00	50.24	46.80	49.37	50.37	44.67	47.49
1906.....	49.33	49.25	45.00	44.00	41.50	44.20	43.88	44.38	43.20	42.50	44.43	44.55	44.83
1907.....	46.90	48.30	49.75	49.25	46.90	47.00	46.86	44.56	41.00	41.75	38.60	31.60	44.26
1908.....	35.00	35.17	34.32	34.19	33.57	32.05	30.77	34.07	34.41	33.37	35.84	38.66	34.49
1909.....	38.87	34.89	35.77	36.05	38.20	42.21	42.66	46.19	46.37	47.80	49.49	47.81	42.20
1910.....	46.56	40.12	42.81	41.17	39.89	39.98	38.25	38.96	41.01	42.16	44.30	41.89	41.47

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 9

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909**

FIRST PRINT

MONDAY, FEBRUARY 19, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

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JOSEPH W. BAILEY, Texas.

F. M. SIMMONS, North Carolina.

WILLIAM J. STONE, Missouri.

-- JOHN SHARP WILLIAMS, Mississippi.

JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, *Clerk.*

W. B. STEWART, *Assistant Clerk.*

II

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MONDAY, FEBRUARY 19, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10.30 a. m.

Present: Senators Cullom (acting chairman), Lodge, McCumber, Smoot, Heyburn, Simmons, Williams, Kern, and Johnson.

The ACTING CHAIRMAN (Senator Cullom). At the suggestion of Senator Kern, and by permission of Senator Heyburn, we will first hear Mr. Wainwright.

Senator KERN. By the kind permission of Senator Heyburn, who has the floor to-day, I will introduce Mr. L. M. Wainwright. Mr. Wainwright is a neighbor of mine and is one of the chief proprietors of the Diamond Chain and Manufacturing Co., of Indianapolis, Ind.

The ACTING CHAIRMAN. Mr. Wainwright will take the stand.

**STATEMENT OF MR. L. M. WAINWRIGHT, REPRESENTING THE
DIAMOND CHAIN & MANUFACTURING CO., OF INDIANAPOLIS, IND.**

The ACTING CHAIRMAN. Mr. Wainwright, where do you live?

Mr. WAINWRIGHT. Indianapolis, Ind.

The ACTING CHAIRMAN. What is your business?

Mr. WAINWRIGHT. I am president of the Diamond Chain & Manufacturing Co.

The ACTING CHAIRMAN. Do you want to address yourself to any particular provision of this bill?

Mr. WAINWRIGHT. Yes, sir; paragraph 24.

The ACTING CHAIRMAN. Of the House bill?

Mr. WAINWRIGHT. Of this new House bill, No. 18642.

The ACTING CHAIRMAN. Proceed, sir. You can only have a few minutes.

Mr. WAINWRIGHT. I will only take 10 or 15 minutes.

In section 150 of the present bill, No. 1438, that we are now working under, under "Manufactures of iron and steel," the section refers to coil chains, cable chains, trace chains, and chains of that description. Many years ago, before the manufacture of pitch or sprocket chains was begun, this was written into the law. Now, under section 24 they are undertaking to change the duty on the class of chains the section refers to from 45 to 20 per cent—that heavy stuff in which there is very little labor and much material. Our product is accurately made.

We, as manufacturers of machine-made sprocket chain—commonly called bicycle chain (roller and block), automobile chain (roller and block), and other chain for transmission of power—earnestly request that no reduction be made in the present tariff, 45 per cent ad valorem, on our product. The reasons for our request are as follows:

Importations of merchandise competing are from Hans Renold, Manchester, England; Brampton Bros., Birmingham, England; Coventry Chain Co., Coventry, England; Appleby, England; Perry, England; Peugeot Frères, Paris, France; and other makers in England, France, and Germany.

The American industry in block chain for bicycles is about 23 years old and was not thoroughly developed at the time the slump

came in the manufacture and sale of bicycles, which industry has not revived. The volume is not now of sufficient size to yield a living profit to the present manufacturer of this type of chain.

The manufacture of roller chain is comparatively new. The advent of same came with the automobile, which induced us, along with others, to embark in the business, at great investment and expense. With the growth of the automobile industry the automobile trade shifted extensively to gear or shaft drive before we, as makers of chains, could bring our equipment and costs to a point where we could meet foreign competitors.

The steel used by American makers of sprocket chain costs approximately 33½ per cent more than the same material abroad. American skilled workmen, machinists, and operators of screw machines and presses receive from 17½ to 40 cents per hour, and the day is usually limited to eight or nine hours. The same workmen abroad receive from 8 to 20 cents per hour, and the day is usually from 8 to 10 hours. Girls, 17 to 20 years of age, in our assembling department earn from \$5 to \$7.50 per week. Boys and girls, 14 to 16 years of age, in English factories, doing the same class of work, receive from \$1 to \$1.25 per week.

Taking the American cost, represented by 100, the foreign maker can produce the same at approximately 55, and with the present duty, 45 per cent, this product can be offered to the United States trade at 79. Add to this 30 per cent (profit and freight), and these goods can be delivered in New York at approximately 103, depending on the percentage of profit the foreign maker is willing to accept. It is possible and in practice, under the present duty, for the foreign maker to sell his product with profit, delivered in New York, at prices equal to or less than our cost of production, and this condition will continue for many years.

For many years we have not been able to sell our product in either England, France, or Germany, because our costs will not permit us to compete.

For this reason your records will show that there are actually no exports by the American makers of sprocket chain to the above countries.

On the other hand, there is a very large quantity of sprocket chain imported from the above-named countries into the United States at a lower price than our cost of production.

A reduction in the duty would be disastrous to us and to all other makers of sprocket chain in the United States, while a slight increase would help to develop and increase an industry employing largely skilled labor. We urge a very much closer investigation by the department to prevent undervaluation by the foreign makers, which, even at this time, seems to be in practice.

Within recent months, the invasion of foreign competition at extremely low prices has taken from the American makers many thousands of dollars of business, and as a result has compelled the following makers to practically abandon the manufacture of bicycle and machinery block chains: Lefever Arms Co., Syracuse, N. Y; Baldwin Chain & Manufacturing Co., Worcester, Mass., and the loss to American makers on this line of business alone will amount to over 50 per cent of the business going to foreign makers, because of their low prices.

The present quantity selling prices of sprocket chains in the United States are below a safe point for the United States makers, and are established entirely by the low prices quoted by foreign makers.

All of the American makers of pitch sprocket chains are well equipped and do manufacture sprocket chains with economic and up-to-date American methods.

Inasmuch as sprocket chains made from accurately machined parts contain in their costs a small percentage (25 per cent to 35 per cent) in material and a large percentage in skilled labor, depending on the size of chains, it is unfair to combine sprocket chains with iron or steel cable and coil chains, in which the material is a large item, and the labor small and of unskilled class, as is done in section No. 150, under "Manufactures of iron and steel," H. R. 1438 and similarly referred to in section No. 24 of H. R. 18642, now being considered by your committee.

Because of the large element of labor costs and expense of investment in special automatic machinery, and the unusual expense of marketing sprocket chains in the United States, and because of the low costs of foreign production, we beg that you will make a separate section covering sprocket chains of all kinds—block, roller, or silent types—made from machined parts, and give to them a protective duty of not less than 50 per cent ad valorem.

We recommend the following paragraph to be written into the new law:

Sprocket chains of all kinds, block, roller, and silent types, made from machined parts, fifty per cent ad valorem.

Senator SMOOT. That is 5 per cent higher than the provision of the Payne-Aldrich law?

Mr. WAINWRIGHT. Yes, sir.

The ACTING CHAIRMAN. Why do you make it 5 per cent higher?

Mr. WAINWRIGHT. Because under the present arrangement, even now, two of the manufacturers have gone out of business—three in fact, within the last two years.

The ACTING CHAIRMAN. Are you likely to go out of business if we do not raise the tariff?

Mr. WAINWRIGHT. No, sir; I will not. I wish to say something about that, too, as soon as I finish this statement.

The added 5 per cent will help to allow those makers who have been forced to cease manufacturing an opportunity to again begin operations, and enable those who are still struggling to compete a chance to continue the manufacture of sprocket chains. A reduction of the present duty would really be disastrous.

We are prepared and willingly offer to personally exhibit our plant, equipment, our costs, and our business methods to your committee or its representative, and can show the sprocket-chain industry to be one which at this time is dependent on a protective tariff of at least 50 per cent for its success and development.

We have written the following chain makers for their opinion in regard to this subject, and submit herewith their replies for your consideration: Whitney Manufacturing Co., Hartford, Conn.; Duckworth Chain & Manufacturing Co., Springfield, Mass.; Lefever Arms Co., Syracuse, N. Y.; Link Belt Co., Indianapolis, Ind.

This is a copy of the letter:

DIAMOND CHAIN & MANUFACTURING CO.,
Indianapolis, Ind., February 12, 1912.

Whitney Manufacturing Co., Hartford, Conn.; Duckworth Chain & Manufacturing Co., Springfield, Mass.; Lefever Arms Co., Syracuse, N. Y.; Link Belt Co., Indianapolis, Ind.

GENTLEMEN: We are inclosing a brief, which we propose to submit to the United States Senate Finance Committee.

Please write us by return mail, expressing fully your views on the subject of duty on sprocket chains, in order that we may forward same to the above committee with our brief.

This must reach us promptly.

Yours, very truly,

DIAMOND CHAIN & MANUFACTURING CO.
L. M. WAINWRIGHT, *President*.

To this letter we received the following replies—

Senator KERN. Those are all letters indorsing your position?

Mr. WAINWRIGHT. These are letters indorsing just what I have read.

Senator KERN. We will not ask you to read all the letters.

Senator LODGE. They can all go into the record.

Mr. WAINWRIGHT. I can leave these with you, without reading them?

Senator LODGE. Yes.

Mr. WAINWRIGHT. That is good.

The letters referred to are as follows:

HARTFORD, CONN., February 14, 1912.

L. M. WAINWRIGHT,
Diamond Chain & Manufacturing Co., Indianapolis, Ind.

DEAR SIR: Answering your letter regarding tariff on chains, we can not sell a foot of chain abroad, and on certain chains we can not meet foreign prices delivered to customers in United States.

We believe our plant equal to any foreign chain plant and feel sure the lower rates abroad on labor and material account for the condition.

We have been successful on our specialties, as a whole, after 16 years of hard work, but on machinery and chains our percentage of profit has been small and on certain machines and types of chains we have made a loss. We stand ready to prove our statements.

THE WHITNEY MFG. CO.,
By C. E. WHITNEY, *President*.

SPRINGFIELD, MASS., February 14, 1912.

DIAMOND CHAIN & MANUFACTURING CO.,
Indianapolis, Ind.:

Thoroughly in accord with your views as per brief to Committee on Finance. Our block-chain business dropped off 50 per cent this year, owing to foreign competition. Earnestly hope committee will grant your request.

DUCKWORTH CHAIN & MFG. CO.
GEO. H. EMPSALL, *Treasurer*.

SYRACUSE, N. Y., February 14, 1912.

L. M. WAINWRIGHT,
Indianapolis, Ind.:

We heartily approve of your letter of February 12, addressed to Hon. Boies Penrose, and very urgently petition for protective duty of 50 per cent ad valorem. Anything less means the failure and abandonment of the bicycle and automatic-chain industry in the United States.

LEFEVER ARMS CO.

INDIANAPOLIS, IND., *February 15, 1912.*

L. M. WAINWRIGHT,
President The Diamond Chain & Manufacturing Co., City.

GENTLEMEN: We have read your letter to the Committee on Finance of United States Senate in regard to the reduction to be made in the present tariff of 45 per cent ad valorem on high-grade drive chains, and in reply we would state that your letter has our hearty approval and we trust you will be successful in your effort to prevent the contemplated reduction.

Our business to-day is affected greatly by the importations under the present tariff schedule, and would be cut into much deeper were the present rates reduced.

Yours, very truly,

LINK BELT CO.
 W. A. VALLENTINE, *Superintendent.*

WORCESTER, MASS., *February 15, 1912.*

L. M. WAINWRIGHT,
Care of Diamond Chain & Manufacturing Co., Indianapolis, Ind.:

Your brief to Finance Committee, United States Senate, relating to the cost of production of bicycle and roller machine-made chains, confirms with our judgment and per experience exactly, except that you have not put it strong enough. The point should be made that machinery for block chains used on bicycles is special in its character; that nearly 90 per cent of the block chain business has been lost this year by the introduction of cheap roller chains at a price that can not be met by chain manufacturers, and if this condition prevails block chain plant is junk.

We heartily indorse your efforts, and will do everything we can to assist and insist that the present rate at least should be retained, and on the theory of protection as taught by the Republican Party for new industries in this country, it should be raised from 5 to 10 per cent.

BALDWIN CHAIN & MFG. CO.

ITHACA, N. Y., *February 14, 1912.*

Mr. L. M. WAINWRIGHT,
President Diamond Chain & Manufacturing Co., Indianapolis, Ind.

GENTLEMEN: We have copy of your letter of the 12th instant, addressed to the Committee on Finance, United States Senate, Hon. Boies Penrose, chairman, Washington, D. C., and have carefully noted the same.

Referring to this letter, we, as possibly you know, are interested in manufacturing the Morse chain in London, England, Hanover, Germany, and Paris, France, and it has come under the writer's personal observation that the assembling wages are in London \$1.60 per week, and in our own plant we are paying from \$1.65 to \$2.25 per day for the same work, this being somewhat higher than you mention, as we use no female labor. The skilled labor is not lower proportionately, but runs about 50 per cent of what we pay here.

The cost of material is also less in France, Germany, and England, so we have a large handicap in competing with the foreign makers. We have found that with the present duty into Canada their prices will run from 15 to 30 per cent under our delivered prices, and it is only by being closer to the market that we are able to take any of the Canadian business.

There is no question in our mind but what a reduction in the tariff will work a hardship on the American manufacturers, and until the scale of labor and cost of material has been reduced will necessitate running their plants at no profit or at an actual loss. The only way that we see to meet the foreign competition is a radical reduction in the cost of material and labor, and with these two items on the same basis we have no fear of any foreign competition.

We feel sure if the committee who has this matter in charge investigates the manufacture of the standard nonpatented chain they will recognize that the duty now imposed does not meet the difference in cost between the two countries.

Very truly, yours,

MORSE CHAIN CO.
 F. L. MORSE, *Manager.*

HARTFORD, CONN., *February 14, 1912.*

L. M. WAINWRIGHT,

Diamond Chain and Manufacturing Co., Indianapolis, Ind.:

Answering your letter regarding tariff on chains we can not sell a foot of chain abroad, and on certain chains we can not meet foreign prices delivered to customers in the United States. We believe our plant equal to any foreign chain plant, and feel sure the lower rate abroad on labor and material account for the condition. We have been successful on our specialties as a whole, after 16 years of hard work, but on machinery and chains our percentage of profit has been small and on certain machines and types of chains we have made a loss. We stand ready to prove our statements.

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By C. E. WHITNEY, *President.*

SPRINGFIELD, MASS., *February 14, 1912.*

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Thoroughly in accord with your views as per brief to Committee on Finance. Our black-chain business dropped off 50 per cent this year owing to foreign competition. Earnestly hope committee will grant your request.

DUCKWORTH CHAIN & MFG. CO.
GEO. H. EMPBALL, *Treasurer.*

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Mr. L. M. WAINWRIGHT,

President The Diamond Chain & Manufacturing Co., City.

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Yours, very truly,

LINK-BELT COMPANY.

W. A. VALLENTINE, *Superintendent.*WORCESTER, MASS., *February 15, 1912.*

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[T]here is no question in our mind but what a reduction in the tariff will work a hardship on the American manufacturers, and until the scale of labor and cost of material has been reduced, will necessitate running their plants at no profit or at an actual loss. The only way that we see to meet the foreign competition is a radical reduction in the cost of material and labor, and with these two items on the same basis we have no fear of any foreign competition.

We feel sure if the committee who has this matter in charge investigates the manufacture of the standard nonpatented chain they will recognize that the duty now imposed does not meet the difference in cost between the two countries.

Very truly, yours,

MORSE CHAIN CO.
 F. L. MORSE, *Manager*.

MR. WAINWRIGHT. There is just one other point. I should like to ask the privilege of filing a supplementary statement describing the difference between these cable chains or trace chains that we hook up horses with and transmission chains.

THE ACTING CHAIRMAN. Will you file your statement soon?

MR. WAINWRIGHT. Yes, sir. Within what time will you require me to file it?

THE ACTING CHAIRMAN. In the course of a week.

MR. WAINWRIGHT. In the course of a week; yes, sir. That will give you an idea as to the difference. I have some samples here to show you, but I presume you do not want to take the time to look at them.

Senator KERN. I understand the desire of the witness is to show the committee the difference between the ordinary chains that the committee had in mind and sprocket chains and special manufactures of that class. His desire is to show that difference, and to show the necessity for more tariff on one than on the other.

Senator SMOOT. Why do you say the committee had it in mind? They had before them the old law, which differentiated between the different sizes and kinds of chains. They put in here 20 per cent on all kinds of chains, including sprocket chains and all kinds of chains.

Senator KERN. I was referring to the House committee.

Senator SMOOT. I understand that. I say the committee put them all in under one head.

Senator KERN. The committee put them all in under one head, and this witness wants to show the difference in the cost of manufacture of the different kinds.

Senator SMOOT. I know his object, but I refer to your statement about the committee of the House having in mind their being of the same kind.

The ACTING CHAIRMAN. Can you state just what proportion of the expense of this product goes into labor?

Mr. WAINWRIGHT. Yes, sir; I can.

The ACTING CHAIRMAN. I would like to know that.

Mr. WAINWRIGHT. There [indicating] is a little bicycle roller chain, 14 per cent of the cost of which is material.

Senator LODGE. And 86 per cent labor?

Mr. WAINWRIGHT. Yes, sir. I understand you to mean labor and other costs—labor and overhead charges. Is that it?

The ACTING CHAIRMAN. The actual labor is what I want.

Senator LODGE. Take every overhead charge.

Mr. WAINWRIGHT. Mind you, the overhead charge is included in that.

Senator LODGE. I understand that, too. It is 86 per cent, including overhead charges. About how much of the cost of manufacture is labor?

Mr. WAINWRIGHT. That is what I am trying to give you. I am not trying to give the cost of selling or anything of that kind. I am giving the cost to produce.

Senator LODGE. And that is 86 per cent?

Mr. WAINWRIGHT. Yes, sir. There is one [indicating] that will run 25 per cent.

Senator LODGE. Twenty-five per cent material cost?

Mr. WAINWRIGHT. Twenty-five per cent material cost.

Senator LODGE. And 75 per cent labor cost?

Mr. WAINWRIGHT. Seventy-five per cent labor cost. When the chains get larger than that the material cost goes up somewhat.

Senator LODGE. When you say 25 per cent is material cost, do you mean to imply that 75 per cent is labor cost?

Mr. WAINWRIGHT. Yes, sir.

Senator WILLIAMS. Do you mean to say that the cost of the raw material and the cost of the labor actually employed in the factory are the only things that go to make up the cost of manufacturing one of those chains?

Mr. WAINWRIGHT. I am not talking about selling them.

Senator WILLIAMS. I am not talking about that, either. Do you mean to say that those are the only things that go to make up the cost of manufacturing one of those chains? Do not salaries, interest, taxes, rent, or whatever other charges you have—postage, and a hundred other things—enter into it?

Mr. WAINWRIGHT. For making them; yes. We count the salaries in that, but—

Senator KERN. You are speaking about the actual manufacturing cost?

Mr. WAINWRIGHT. I am speaking about the actual manufacturing cost—not about selling. I am figuring up what it would cost laid down here before you.

Senator WILLIAMS. But do you mean to say that the cost of the thing turned out of the factory consists entirely of the material and the actual labor employed in the factory?

Mr. WAINWRIGHT. We have clerks employed in our factory, and that goes into our factory cost and the overhead charges.

Senator WILLIAMS. What you mean to say is that 25 per cent of the cost of production of that chain is the price of the raw material?

Mr. WAINWRIGHT. Yes, sir; in this one [indicating sample of chain], and in the other one it is 14 per cent. I will tell you why. Here is a little difference: We take a piece of trace chain, for instance, that we hook up our horses with. A foot of that has not very many links in it. It is done by electric welding, and the stuff runs through, and there is very little labor involved. There are probably 10 or a dozen pieces in that. In a foot of this other chain [indicating] there are 120 pieces, and they are built with accuracy to the thousandth part of an inch, as is the case with all the rest. Here is another little one [indicating], a block chain such as I have referred to. That is something like 20 per cent, instead of 14.

Senator KERN. You mean 20 per cent material cost?

Mr. WAINWRIGHT. Yes; 20 per cent of the total cost is for material.

Senator SMOOT. You stated that the present rate of duty upon sprocket chains and the chains that you manufacture is 45 per cent, did you not?

Mr. WAINWRIGHT. Yes, sir.

Senator SMOOT. And the present House bill provides a duty of 20 per cent?

Mr. WAINWRIGHT. Twenty per cent; yes, sir.

Senator SMOOT. And you ask for 50 per cent?

Mr. WAINWRIGHT. I want it higher than it is.

Senator SMOOT. You also stated that three of the manufacturers had gone out of business within the last three years, on account of the reduction of the duty?

Mr. WAINWRIGHT. Yes, sir; two of them within the last nine months.

Senator SMOOT. You also said that if the House bill passed you did not intend to go out of business?

Mr. WAINWRIGHT. No, sir.

Senator SMOOT. If the proposed rate will not put you out of business, why do you object to it?

Mr. WAINWRIGHT. I do not like to work too close to the edge. I am a little bit larger, and I believe I am a little better manufacturer than the other fellows.

Senator SMOOT. You can exist and make your dividends on a duty of 20 per cent, can you?

Mr. WAINWRIGHT. I can make a living at 20 per cent.

Senator SMOOT. That is all we need, then.

Mr. WAINWRIGHT. Wait a minute. Here is what I would have to do. On that basis I would have to do a very small business. The people with whom we do business to-day are the manufacturers of bicycles, automobiles, etc., who buy directly. We would have to go to the expense of traveling to get that business. It is all done by mail to-day. They are up against the same things that we are up against. I could go to the jobbers and still sell chains.

Senator SMOOT. Instead of carrying on your business as it is now, you would have to curtail your business?

Mr. WAINWRIGHT. I could not pay dividends on my present capitalization under a duty of 20 per cent. I would have to do my business on a smaller basis.

Senator SMOOT. But you consider that the others would all have to go out of business?

Mr. WAINWRIGHT. I think with one exception—and he does not manufacture chains exclusively—they would.

Senator SMOOT. And you would have a monopoly?

Mr. WAINWRIGHT. Yes.

Senator SMOOT. And then, after you got a monopoly, you would want the duty raised?

Mr. WAINWRIGHT. I am not asking for a monopoly.

Senator SMOOT. But you say you would get it. You say that all the others would have to go out of business because of the reduction in the duty?

Mr. WAINWRIGHT. Yes.

Senator SMOOT. And you would be the sole manufacturer in this country.

Mr. WAINWRIGHT. I do not want to be the sole manufacturer in this country.

Senator SMOOT. You do not?

Mr. WAINWRIGHT. No, sir. I want to have the duty raised, so as to let the other fellows continue in business. I am not afraid of competition. I can take care of myself.

Senator WILLIAMS. You would rather have a large business without being a monopolist than to have a small business and become a monopolist?

Mr. WAINWRIGHT. Absolutely.

Senator HEYBURN. Is there anything in this way of looking at it: If you succeeded in bringing about a condition of affairs that would put your competitors out of business, it would result in a general depression of business, and there would be no one to use your machines?

Mr. WAINWRIGHT. There is something in that.

Senator HEYBURN. That would result in a loss?

Mr. WAINWRIGHT. That would result in a loss.

Senator HEYBURN. Because nobody would be able to use bicycles at all.

Senator WILLIAMS. Do you mean to say that if the price of sprocket chains went down, the number of people wanting to buy them for bicycles, etc., would decrease?

Mr. WAINWRIGHT. That is about right.

Senator HEYBURN. They would not have any money to buy them with.

Senator WILLIAMS. But everybody is not engaged in making sprocket chains.

Mr. WAINWRIGHT. No; there are only five or six manufacturers of them in the country.

Senator WILLIAMS. Do you mean to say that if a man could sell sprocket chains for less, the number of buyers of sprocket chains would decrease?

Mr. WAINWRIGHT. It depends on what you do with some of the other schedules.

Senator HEYBURN. It depends upon whether anybody has any money to buy anything with, does it not?

Mr. WAINWRIGHT. That is the point exactly.

Senator WILLIAMS. So far as sprocket chains are concerned, putting you out of business would not lead to any national depression, would it?

Mr. WAINWRIGHT. It probably would not; no.

Senator WILLIAMS. And it would not lead to any decrease in the use of sprocket chains.

Senator SMOOT. What would you do with the men who are making sprocket chains to-day? Would they go into some other business?

Senator WILLIAMS. That is a different proposition. His people would continue in business, he says. I do not know what would become of the others.

Senator SMOOT. He would continue in a small way. That is, he could deliver his goods with a wagon, perhaps, or something like that.

Senator HEYBURN. Like the one we heard of the other day who was hauling sewing machines around down in Mississippi. I suppose that is largely the reason for the price now.

Mr. WAINWRIGHT. Gentlemen, here is one point I do not want you to overlook: With your 45 per cent duty, there is not a single foot of American-made sprocket chain sold abroad. That is a point you must not overlook.

Senator KERN. The automobile business has developed very wonderfully in this country in the last few years, has it not?

Mr. WAINWRIGHT. Yes; but it is all gear drive and worm drive. It is not chain drive. We thought it was going to be, but it is not.

Senator WILLIAMS. Do we not export any bicycles?

Mr. WAINWRIGHT. Very few.

Senator WILLIAMS. Do we export them with or without sprocket chains?

Mr. WAINWRIGHT. If they are exported, they go without chains.

Senator WILLIAMS. They export them without chains?

Mr. WAINWRIGHT. Without chains.

Senator WILLIAMS. And the chains are put on them abroad.

Mr. WAINWRIGHT. But there would be no bicycles sold in England, Germany, or France. They might send a few to Japan, or something of the sort.

Senator KERN. The bicycle business is not nearly so extensive as it was, is it?

Mr. WAINWRIGHT. Oh, it is not half so big as it was.

The ACTING CHAIRMAN. Proceed, Mr. Wainwright, if you have anything further to present.

Mr. WAINWRIGHT. I think that covers it.

The ACTING CHAIRMAN. We are very much obliged to you.

Mr. WAINWRIGHT. How much time may I have in which to file my supplemental statement?

Senator LODGE. Do it in the course of a week.

The ACTING CHAIRMAN. File it some time before the end of this week, by all means.

STATEMENT OF MR. A. H. HOWARD (SUBMITTED THROUGH SENATOR LODGE).

Senator LODGE. Mr. Chairman, I desire to file a brief submitted by the Howard Bros. Manufacturing Co., of Worcester, Mass., in regard to wire heddles.

The brief referred to is as follows:

WORCESTER, MASS., *February 16, 1912.*

SENATE FINANCE COMMITTEE,
Washington, D. C.

GENTLEMEN: Howard Bros. Manufacturing Co., manufacturers of heddles, desire to enter their protest against a reduction in duty on wire heddles, as proposed in the Underwood tariff bill (H. R. 18642, par. 13), from a specific duty of 25 cents per thousand and 40 per cent ad valorem to a duty of 25 per cent ad valorem. Should this bill become a law, the manufacture of heddles in this country would of necessity be discontinued.

The estimated value of imports under H. R. 18642 is \$88,000 and the estimated revenue \$22,000, which means double the number of heddles imported in 1911 and \$12,455 less revenue. It means also no further manufacture of heddles in this country, as the estimated importation would practically supply the entire demand for heddles.

In this country the heddle-machine tenders, skilled labor, receive from \$3.50 to \$4 per day; boys who do the soldering, from \$7 to \$8 per week, and the girls who inspect the heddles are paid \$9 per week; and it is an established fact that these wages are from 125 per cent to 150 per cent higher than paid in foreign countries for the same kind of labor.

A duty upon heddles which would cover the difference in the cost of labor in manufacturing the same in this country and the countries from which the importations are made would not be objectionable to manufacturers here.

Respectfully submitted.

HOWARD BROS. MANUFACTURING CO.
A. H. HOWARD, *President.*

STATEMENT OF MR. FREDERICK BURBIDGE, OF SPOKANE, WASH., ON BEHALF OF THE COEUR D'ALENE LEAD-MINING INTERESTS.

The ACTING CHAIRMAN (Senator Cullom). Where are you from?

Mr. BURBIDGE. I live in Spokane, State of Washington. I represent the Coeur d'Alene lead-mining interests. I desire to speak in reference to sections 51 and 52 of the proposed Underwood bill.

The ACTING CHAIRMAN. Sections 51 and 52 of the "steel bill," which passed the House?

Mr. BURBIDGE. Yes, sir.

The ACTING CHAIRMAN. Proceed.

Mr. BURBIDGE. The State of Idaho produces annually from lead-silver ores over 120,000 tons of lead and 7,200,000 ounces of silver, having a gross value of about \$14,340,000, of which 95 per cent is produced in the Coeur d'Alene district.

In the three years 1909, 1910, and 1911 there were shipped from that district 351,461 tons of lead and 19,102,555 ounces of silver. The New York prices received during that period averaged 4.401 cents per pound for the lead and 52.462 cents per ounce for the silver.

The gross value of the lead and silver amounted to \$40,956,174, and the net amount received by the mines amounted to \$23,195,319, or 56.6 per cent of the gross value; and the cost of marketing (which includes freight, smelting, smelting losses, refining, and selling charges), amounted to \$17,760,855, or 43.4 per cent of the gross value.

Of the cost of marketing, \$501,078 represents the smelting loss on silver, leaving the cost of marketing the lead \$17,259,777, equal to 42.1 per cent of the gross value of the product, and 55.8 per cent of the gross value of the lead.

All other expenses of production amounted to \$16,249,846. As these expenses are all on tonnage basis, and the amount of the silver in a ton is only 25 ounces, the total expenses are properly chargeable to the production of the lead. Adding this to the cost of marketing, we have a total cost of producing and marketing the lead amounting to \$33,509,623, equal to 4.767 cents per pound. The total gross value of the lead was \$30,934,604, or 4.401 cents per pound. The cost of production and marketing the lead, therefore, exceeded its gross value by the sum of \$2,575,019, or 0.366 cent per pound.

Senator HEYBURN. Let us pause there a moment and emphasize that proposition. The lead is not a solvent proposition when standing alone? It requires a by-product to afford a profit?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. It is a by-product itself, is it not?

Senator HEYBURN. No; it is not.

Senator WILLIAMS. Does it amount to more than the silver?

Senator HEYBURN. Very much more.

Mr. BURBIDGE. From this it will be seen that if it were not for the fact that these Cœur d'Alene ores carry silver they could not be mined without loss, even at the price of 4.401 cents per pound for lead, which has been the average for the last three years. It takes part of the silver value and all of the lead value to produce and market the lead.

The net amount received by the mines for the silver in the ores during these three years was \$9,520,492, equal to 23.1 per cent of the total gross value of the product. Deducting from this the loss on the lead, there remains an operating surplus of \$6,945,473 for the three years, or an average surplus of \$2,315,158 per annum, equal to 16.96 per cent of the gross value of the output.

Senator HEYBURN. Just a moment there; emphasize that point, so that we will not have to go over it. That is the profit on the whole mining and milling operation up to the point where the product is sold?

Mr. BURBIDGE. Yes, sir.

Senator HEYBURN. Please repeat that percentage, so we will understand it.

Mr. BURBIDGE. The surplus profit is 16.96 per cent of the gross value of the product as it comes from the mine.

Senator HEYBURN. That is what I wanted to emphasize.

Mr. BURBIDGE. This surplus is equal to 0.988 cent per pound on the lead produced. So it is seen that after crediting the value of the silver against the cost of producing the lead there is less than 1 cent a pound margin on a market price of 4.4 cents per pound. That is to say, if the price of lead is reduced 1 cent per pound the profit will be entirely eliminated.

Senator HEYBURN. In other words, a reduction of 1 cent a pound would wipe out not only the face profit on the lead, but the profit on the by-product?

Mr. BURBIDGE. Yes, sir; that is, a reduction of 1 cent from 4.4; or, if the price should decline to 3.4, there would be no margin whatever in the business.

Senator HEYBURN. So there is nothing in the claim that a reduction of 1 cent a pound on the lead would still leave a profit on the by-product? The reduction would wipe out the profit on both the by-product and the lead itself?

Mr. BURBIDGE. Yes, sir. Putting it another way, at a price of 3.4 cents per pound for lead and the same price for silver that has ruled during these three years, the matter would be just a stand-off. It would take, then, all of the lead and all of the silver to pay the cost of producing and marketing that product.

The present agitation of the tariff question has already caused a decline of four-tenths of a cent, and there can be no doubt that if the tariff should be reduced as proposed, the price will further decline to a point where the Coeur d'Alene mines can no longer operate profitably.

Senator HEYBURN. That is, four-tenths of a cent on lead?

Mr. BURBIDGE. Four-tenths of a cent on lead; yes. It has declined from 4.4 to 4 cents.

Senator HEYBURN. \$8 a ton?

Mr. BURBIDGE. \$8 a ton.

Senator HEYBURN. That decline has taken place since the agitation of the reduction of the duty on this commodity?

Mr. BURBIDGE. Yes, sir; within the past month.

Senator SMOOT. The price is lower than it has been for how long?

Mr. BURBIDGE. Since the fall of 1907. At that time, in the fall of 1907, with the price of lead down to 4 cents, several of the mines of the Coeur d'Alene district were closed; and all the others that continued in operation had to confine their operations to the better grades of ore, leaving the lower grades, which yielded no profit at that price, for future extraction.

Senator HEYBURN. Where did they leave them?

Mr. BURBIDGE. They left them in the mine, unmined.

Senator HEYBURN. Where they could?

Mr. BURBIDGE. Where they could.

Senator HEYBURN. Where they were compelled to mine them they went over the dump, did they?

Mr. BURBIDGE. Yes. Then, too, in the course of mining in a big mine you can not leave those things and go back to them at will. You have to go right along, and some of them are then forever abandoned. You can not afford to reopen the stopes for the purpose of getting out some lean ore which you have left there before.

Senator HEYBURN. Where you back-fill, the stopes are covered up?

Mr. BURBIDGE. Yes, sir.

The ACTING CHAIRMAN. Are your mines being operated now?

Mr. BURBIDGE. Yes, sir.

The ACTING CHAIRMAN. Do you make anything out of them?

Mr. BURBIDGE. During the last three years, sir, just as I have stated, there has been an average profit of \$2,300,000 for the entire district.

The ACTING CHAIRMAN. As I understand, the effect of this bill has been to reduce the price of lead?

Mr. BURBIDGE. Yes, sir. The prospect of its passage has already reduced it four-tenths of a cent a pound; and inasmuch as the profit amounted to only 1 cent a pound, 40 per cent of the profit has disappeared already.

Senator WILLIAMS. Let me ask you a question right there. You say the price of lead in the United States has gone down that much within that time?

Mr. BURBIDGE. Four-tenths of a cent a pound; yes, sir.

Senator WILLIAMS. How much has it gone down in England?

Mr. BURBIDGE. The price in England at the present time is quite a little higher than it has averaged over a period of years.

Senator WILLIAMS. How much has it gone down, though, within the time of which you speak?

Mr. BURBIDGE. I am not advised that it has gone down at all, sir.

Senator WILLIAMS. Do you know whether or not it has gone down?

Mr. BURBIDGE. I do not.

Senator WILLIAMS. Do you know whether or not it has gone down in Australia?

Mr. BURBIDGE. Australia sells its lead on the London market.

Senator WILLIAMS. Is there any lead produced in South Africa?

Mr. BURBIDGE. There is no lead to amount to anything produced in South Africa.

Senator WILLIAMS. None at all?

Mr. BURBIDGE. I say, not to amount to anything. I have not the figures; but the lead production of South Africa is very small.

Senator WILLIAMS. You do not know what has been the history of the prices there?

Mr. BURBIDGE. They also sell on the London market. The London market is the standard for the world, outside of the United States.

Senator WILLIAMS. What is lead selling at now in the London market?

Mr. BURBIDGE. The last quotation I saw was fifteen pounds ten.

Senator WILLIAMS. That is per ton?

Mr. BURBIDGE. Per ton of 2,240 pounds.

Senator SMOOT. What would that be per hundred?

Mr. BURBIDGE. \$3.35.

Senator WILLIAMS. That would be \$3.35 a hundred?

Mr. BURBIDGE. That would be a parity of 3.35 cents a pound in our money.

Senator WILLIAMS. And during that time it was selling at what figure in the United States?

Mr. BURBIDGE. At the present time at 4 cents a pound.

Senator WILLIAMS. So the price of lead now is higher here than it is in the London market?

Mr. BURBIDGE. Yes, sir; the London market is higher than the average, and ours is lower than it has been for some years.

Senator WILLIAMS. But it is selling at a lower price in London than in the United States?

Mr. BURBIDGE. Yes, sir.

Senator SMOOT. It always does.

Senator WILLIAMS. How long has that been the case?

Mr. BURBIDGE. That is has been selling lower in London?

Senator WILLIAMS. Yes.

Mr. BURBIDGE. I may say it is always selling lower in London.

Senator WILLIAMS. So, notwithstanding the slump in lead which you say is due to the agitation of the tariff question, our price for lead is still higher than the London price?

Mr. BURBIDGE. That is because there is a duty on lead.

Senator WILLIAMS. But, as a matter of fact, that is true, is it not?

Mr. BURBIDGE. That it is higher here?

Senator WILLIAMS. Yes.

Mr. BURBIDGE. Yes; it is higher.

Senator WILLIAMS. That is a fact, regardless of the reason. The reason is, in your opinion, that there is a duty upon importations of lead into the American market?

Mr. BURBIDGE. Yes, sir. During the last three years the average price of lead in London was 2.88, and the average of the New York quotations was 4.38, the difference being exactly a cent and a half, and that is the amount of the duty on lead in ores.

Senator WILLIAMS. That is exactly the amount of the duty, is it?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. So that the price the American consumer pays over and above that of the foreign consumer is precisely the amount of the tariff, is it?

Mr. BURBIDGE. The tariff on pig lead is $2\frac{1}{2}$ cents, and the amount of this difference of $1\frac{1}{2}$ cents is five-eighths of a cent less than that.

The ACTING CHAIRMAN. Proceed, sir.

Mr. BURBIDGE. I last stated that the price will further decline to a point where the Coeur d'Alene mines can no longer operate profitably. It has already reached that point with the mines that are working under the least favorable conditions; and if the present price of 4 cents should rule for any considerable period, such mines will be closed.

Senator SMOOT. The Coeur d'Alene mines are no different from any other lead mines in this country?

Mr. BURBIDGE. No, sir.

Senator SMOOT. If anything, they are in better shape to run than any other mines in this country, are they not?

Mr. BURBIDGE. I think they are as favorably situated as any of the lead mines in the Rocky Mountain region.

Senator WILLIAMS. They labor under a great disadvantage, though, as to marketing their product, in the way of freight, do they not?

Mr. BURBIDGE. They have a considerable freight charge to pay, of course, due to their distance from the market.

Senator WILLIAMS. The Missouri mines can get to market for less, can they not?

Mr. BURBIDGE. Yes; but in comparing our mines with the Missouri mines it must be remembered that they have no silver in their ores, and the silver in our ore absorbs our freight and also our higher labor charges, so that, counting out the silver in our case, they having none, we are almost on a parity.

As I said, if the present price of 4 cents should rule for any considerable period, such mines will be closed. This was the effect of a 4-cent market in the fall of 1907. Some of the mines stopped work altogether and others were forced to confine their operations to the better grades of ore, leaving unworked the lower grades, which would yield no profit at that price. All of the smaller mines closed, and only three or four of the larger ones were able to keep going.

The mining and concentrating of the Coeur d'Alene ores give employment, directly and indirectly, to from 4,500 to 5,000 men, who are paid the highest wages paid anywhere in the United States for similar classes of work, the average rate being \$3.60 per day of

eight hours. But these men form only a small part of those who, in one way or another, participate in the distribution of the money derived from the mining of these ores. Not only they, but the army of men engaged in the correlated industries, and in the transportation, smelting, and refining of the ores, are dependent for their livelihood upon the continuation of the operation of our mines. If we assume that the average wage of all those who are engaged in any way in connection with this industry is \$3 per day, we find that the lead-silver mines of Idaho alone support over 13,000 men. The same industry in Utah and Colorado supports almost as many more, making a total of, say, 25,000 men; and, counting the families of the wage earners, the number of persons dependent for their living on the mining of lead ores in the Rocky Mountain States will easily reach a total of 75,000.

If this mining is stopped, 25,000 men will be thrown out of work and be forced to seek employment in other fields, already fully occupied.

The labor employed in the Coeur d'Alene mines is of a very high class, as might be expected from the high wages paid. The mining companies make a practice of favoring American citizens; and over 60 per cent of all the employees are native-born Americans, while practically all the remainder are naturalized citizens—mostly English, Irish, and Germans. There are very few of the Latin races employed. The population of the district is about 16,000, all entirely dependent on these mines for their livelihood.

Senator SMOOT. I doubt whether we have any of the Latin races in the State of Utah engaged in lead mining.

Mr. BURBIDGE. There are a very limited number of Italians that have been weeded out, and they are good men—a few who have been in the district a good many years.

Senator SIMMONS. What other kinds of foreigners did you say you had?

Mr. BURBIDGE. English, Irish, and Germans. When I say "English," I should say "British." That embraces the Scotch and also the Canadians.

Senator SMOOT. You have to have the very highest type of men to do the work, anyhow?

Mr. BURBIDGE. Yes, sir; that is true.

Senator SIMMONS. When you speak of the English and Germans and Irish and Scotch, do you mean people of that extraction, or do you mean that they have recently come into this country from those countries?

Mr. BURBIDGE. Not that they have recently come. As you know, the Cornishmen from the southwest corner of England and the Welsh are born miners. A great many of them have been in this country for many years, and they are a very fine class of miners.

Senator SIMMONS. Probably I can better get at what I have in mind by asking you what proportion of your labor employed in these mines is American labor?

Mr. BURBIDGE. I stated that as being somewhat over 60 per cent native-born Americans.

Senator SIMMONS. The balance of them are foreigners, or foreign born?

Mr. BURBIDGE. Yes, sir; foreign born.

Senator SMOOT. But naturalized citizens?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. You do not mean to say all of them are naturalized citizens; do you? You mean to say that some of them are?

Mr. BURBIDGE. Yes, sir. Our State law does not permit the employment of aliens.

Senator SIMMONS. It does not?

Mr. BURBIDGE. No, sir.

Senator SIMMONS. What State are you speaking about? I was not here when you began.

Mr. BURBIDGE. Idaho.

Senator WILLIAMS. Do you not permit the employment of aliens in mines at all?

Mr. BURBIDGE. No, sir.

SEVERAL SENATORS. I never knew that before.

Senator HEYBURN. That is one of the things we have been proud of for years.

Senator SIMMONS. Is that prohibition confined to mining?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. Aliens may be employed in other occupations in Idaho, but not in mining?

Mr. BURBIDGE. I think it is restricted to mining.

Senator HEYBURN. It does reach out to some other branches, but they are not involved in this particular inquiry. If we reach them—if some other schedules should come in here—we may have occasion to make a still further good showing. But they are not involved in this schedule.

The ACTING CHAIRMAN. Proceed, sir.

Mr. BURBIDGE. In the 10 years, from 1901 to 1910, the world's production of lead exceeded the consumption by only 0.3 per cent. In the same period the domestic production in the United States exceeded the consumption by only 0.35 per cent. It is apparent, therefore, that production and consumption substantially balance, both in the United States and in the world at large.

It is evident, too, that there is at present no lack of ability on the part of American mines to supply the American markets; also that there is at present no appreciable surplus of lead in foreign countries. But foreign production is capable of great expansion, and it certainly will expand very rapidly if our markets are thrown open to it. The increased production would be particularly large in Spain and Mexico; and it is the competition from those countries that we have most to fear.

Senator SIMMONS. I understand you as saying that we produce all we need of lead?

Mr. BURBIDGE. Yes, sir; substantially.

Senator SIMMONS. And Europe produces all it needs?

Mr. BURBIDGE. The production of anything must be confined substantially to the world's consumption.

Senator SIMMONS. Then I will say, all it needs to supply its own consumption and to supply its foreign trade. That would cover it.

Senator HEYBURN. I think the witness does not understand you. Our imports from Mexico alone were nearly 15,000,000 pounds.

Mr. BURBIDGE. Yes.

Senator SIMMONS. I was not asking him a question, except that I was trying to ascertain what he meant to say. I understood him to say that we were producing practically what we consumed.

Mr. BURBIDGE. Of course that statement was made for a period of 10 years. In some of those years our production exceeded our consumption and in other years the consumption exceeded the production; but over the period of 10 years it balanced as nearly as I stated—that is, within thirty-five one-hundredths of 1 per cent.

Senator SIMMONS. Then I understood you to say that Europe was producing all she wanted for her own consumption and to supply foreign trade.

Mr. BURBIDGE. I said "the world."

Senator SIMMONS. You did not mean Europe was producing it?

Mr. BURBIDGE. No, sir; I said "the world's production."

Senator WILLIAMS. That included the United States, did it?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. Have you been troubled up to this time in this country with importations of lead from Europe?

Mr. BURBIDGE. The importations from Europe are not very large. What importations this country makes are mostly from Mexico.

Senator SIMMONS. Then we have had no importations from Europe?

Mr. BURBIDGE. We have had some.

Senator SIMMONS. It was a minimum amount, was it not?

Mr. BURBIDGE. They have been running about fifteen or sixteen thousand tons of lead a year in the last three years.

The ACTING CHAIRMAN. Do you mean that much has been imported?

Mr. BURBIDGE. Yes, sir; those were the importations for consumption.

Senator SIMMONS. Do you mean from all the world or from Europe?

Mr. BURBIDGE. I refer to all the importations into the United States. As I say, most of it comes from Mexico.

Senator SIMMONS. It amounts to about 16,000 tons?

Mr. BURBIDGE. Sixteen thousand or seventeen thousand tons.

Senator SIMMONS. What is our output?

Mr. BURBIDGE. I will give you that, if you will allow me to refer to some papers here. [After examining papers.] The United States domestic production in 1909 was 354,188 tons.

Senator SMOOT. What year was that?

Mr. BURBIDGE. 1909.

Senator SMOOT. That was not the total production, was it?

Mr. BURBIDGE. That is given in the United States Geological Survey's report for that year, sir.

Senator SMOOT. The list I have says that in 1909 it was 448,112 tons.

Mr. BURBIDGE. That includes the foreign lead, I think; and then that is subsequently deducted, showing the domestic production.

Senator SIMMONS. Yes; but you said the foreign lead was only about 16,000 tons.

Mr. BURBIDGE. I was just reading the United States domestic production. The imports entered for consumption in that year amounted to 18,072 tons.

Senator SIMMONS. As compared with the domestic production, then, the amount of imports was negligible?

Mr. BURBIDGE. It is about 5 per cent.

Senator WILLIAMS. What were the figures for 1910?

Mr. BURBIDGE. For 1910 the domestic production of the United States amounted to 397,596 tons.

Senator WILLIAMS. How did that compare with the domestic production of the year before?

Mr. BURBIDGE. It was an increase of 43,000 tons, which was about 12 per cent.

Senator WILLIAMS. About 12 per cent?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. Do you think, perhaps, that had something to do with the price of lead coming down?

Mr. BURBIDGE. But it did not go down, sir.

Senator WILLIAMS. I thought you said it had gone down here recently?

Mr. BURBIDGE. You are speaking now of 1910. This is 1912; and the decline took place within the last 30 days.

Senator WILLIAMS. Yes; but the lead production of 1910 entered into the business subsequently to that year, did it not? What was the production for 1911? Have you the figures?

Mr. BURBIDGE. 397,814 tons.

Senator WILLIAMS. Practically just what it was in 1910?

Mr. BURBIDGE. About the same as that of the year before—an increase of only a couple of hundred tons.

Senator WILLIAMS. Do you not think the production in 1910 and 1911 had something to do with the price of 1912?

Mr. BURBIDGE. If you mean to ask whether I think it had anything to do with this decline, I will say no.

Senator WILLIAMS. What would it have had to do with the price, then?

Mr. BURBIDGE. The fact of this production in 1910 and 1911 was known at the beginning of this year. The price then was 4.40 to 4.50.

Senator WILLIAMS. Yes; but at the beginning of this year cotton was not down as low as it went, either. These things have their effect, do they not, from day to day, as they are made known to the trade? Do you think an increase in the production of an article of 12 per cent for two years in succession, over and above what it was in 1909, would not have had any effect in reducing its price? I refer to any product, no matter what.

Mr. BURBIDGE. No, sir. The consumption increased in the same proportion.

Senator WILLIAMS. I suppose, then, it would have reduced it 12 per cent?

Mr. BURBIDGE. Reduced what?

Senator WILLIAMS. The price. I understood you to say that if it reduced it it would reduce it in the same proportion.

Senator SMOOT. No; he said the consumption increased in the same proportion.

Mr. BURBIDGE. I say, the consumption of lead increased in the same proportion that the production increased, so that there was really no apparent change in the stocks.

Senator WILLIAMS. Very well. Whenever there is an increase in the production of any article the consumption increases, but the condition upon which it increases is a decreased price, is it not?

Mr. BURBIDGE. Not necessarily.

Senator WILLIAMS. However, that is largely an academic question and one of argument.

Mr. BURBIDGE. The price of copper has gone up very recently, and the production is increasing very rapidly.

Senator WILLIAMS. Yes; that may happen when there is some special cause that leads to a very acute increase of consumption.

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. But, as a rule, I take it most people will agree that when a great increase occurs in the production of an article they will find it is marketed at a decreased price. That is the way demand and supply equalize themselves.

Mr. BURBIDGE. That is not a very great increase.

Senator SMOOT. But the increase for those years is not nearly so great as increases have been for years back, beginning with 1860. It has steadily increased.

Senator WILLIAMS. Yes; and the price has been fluctuating all the time, has it not?

Senator SMOOT. Not very much.

Senator WILLIAMS. Have you the figures there?

Senator SMOOT. Yes; I have the total.

Senator WILLIAMS. Never mind; we can get that from the statistics. I shall ask, Mr. Chairman, that the clerk write a note to the Secretary of Commerce and Labor, asking him to give us the figures on the production of lead, and the prices, during the last 10 years.

Senator SMOOT. You will find them in the Geological Survey reports.

Senator HEYBURN. Allow me to hand that information to the Senator. It just came in, five minutes ago, from the department.

The ACTING CHAIRMAN. Is the Senator pressing any particular suggestion he wants to make to the Secretary of the Interior?

Senator WILLIAMS. I want a letter directed to the Department of the Interior—the Geological Survey is under that department—asking them to give us the annual American production of lead during the last 10 years, including as much of this year as can be gotten at, the prices during the same time, and the imports and exports during the same time, all in one table, so we can have it all together.

Senator LODGE. Look on page 7. You will find it on page 7.

Senator HEYBURN. We have here, Mr. Chairman, ready to be introduced, all of those figures, extending even into an earlier time. The statement gives the price in London, the price in New York, the duties collected, the consumption of lead, the wages paid miners, and the tariffs on lead during each of those periods—in fact, the most minute and accurate detail.

Senator WILLIAMS. Where did that come from?

Senator HEYBURN. It will be introduced here. It is in proper form, and can be verified, and will be if necessary. It gives the duties collected—

Senator WILLIAMS. But who prepared those tables?

Senator HEYBURN. They were prepared by Mr. E. A. Rozier.

Senator WILLIAMS. Who is he?

Senator HEYBURN. He is a man engaged in this business.

Senator WILLIAMS. Ah! I want them from the official reports.

Senator HEYBURN. They will only be duplicated.

The ACTING CHAIRMAN. The clerk will get the necessary information from the stenographer and frame the request accordingly.

Senator HEYBURN. These figures have been checked up from the official reports.

The ACTING CHAIRMAN. Proceed, Mr. Burbidge.

Senator SIMMONS. Can you tell the committee what countries outside of the United States, Mexico, and Europe produce lead ore?

Mr. BURBIDGE. Australia is the only other producer of importance.

Senator SMOOT. And Canada produces some, does she not?

Mr. BURBIDGE. Japan produces a little and Australia. I can give you the production of the other countries as late as 1907, if that is of any interest to you.

The ACTING CHAIRMAN. Proceed.

Senator SIMMONS. There is no excess of lead ore in the European markets, is there?

Mr. BURBIDGE. Of lead ore, do you say; or of lead?

Senator SIMMONS. Of lead.

Mr. BURBIDGE. You mean the finished product now?

Senator SIMMONS. Yes; the product that you are talking about. You are talking about lead, are you not?

Mr. BURBIDGE. I am. No; the output may vary from year to year, and if in any year there should be an excess production, that would have a tendency to depress the price and so decrease the production until stocks again reach a normal figure.

Senator SIMMONS. Then Europe has no more of this product than she needs for domestic consumption or in her foreign trade?

Mr. BURBIDGE. Europe does not produce any more than she needs at the time, but she is able to expand her production to a very large degree. All she needs is the market for it.

Senator SIMMONS. What importations are you fearing in your business?

Mr. BURBIDGE. Chiefly those from Spain and Mexico.

Senator SIMMONS. You do not fear any from Europe, or from Australia, or from Japan?

Mr. BURBIDGE. Spain is in Europe and is our principal competitor.

Senator SIMMONS. I beg your pardon; I thought you said "Mexico."

Mr. BURBIDGE. I said "Mexico and Spain," sir.

Senator SIMMONS. Those are the only countries from which you fear importations?

Mr. BURBIDGE. Yes. Lead ore has been brought into this country from Australia. Some years ago some of it was brought to a smelter on the Pacific coast. But naturally the importations would come from the countries that could most easily supply it; and those countries are Mexico and Spain.

Senator SIMMONS. You do not fear European competition outside of Spain?

Mr. BURBIDGE. It may be considered as a unit; it does not make any difference where it comes from.

Senator SIMMONS. I am trying to get down to the concrete facts. I ask you if you fear any European competition in this business outside of Spanish competition?

Mr. BURBIDGE. We would fear competition to some extent from other countries of Europe in pig lead; not in ore.

Senator SMOOT. What amount does Canada produce?

Mr. BURBIDGE. In 1907, the latest date for which I have the statistics, she produced 21,571 tons.

Senator SIMMONS. Are wages in Canada so much less than they are in this country that you might be overwhelmed by Canadian competition?

Mr. BURBIDGE. No, sir. I have not suggested that we are afraid of Canadian competition.

Senator SMOOT. But Canada pays a bounty upon her lead production, does she not?

Mr. BURBIDGE. Yes, sir. The Canadian Government pays a bounty in the form of practically a guarantee to the British Columbia miners that the London price, so far as they are concerned, shall be £18 a ton. That is to say, when the price is really only £14 10s., the bounty amounts to three-fourths of a cent a pound; and as the price goes up the bounty comes down, but the two together always make £18. If the price in London should go to £18, the bounty would cease.

Senator SMOOT. And to-day the London price is about £15 10s., is it not?

Mr. BURBIDGE. Yes, sir.

Senator SMOOT. So Canada pays to her lead producers £2 10s.?

Mr. BURBIDGE. Yes.

Senator LODGE. For every ton of ore?

Senator SMOOT. For every ton of lead.

Senator LODGE. Yes; that is what I mean—every ton of lead.

Mr. BURBIDGE. Of course, inasmuch as most of the lead is high grade, 50 per cent, it would mean about half that per ton of ore.

Senator SIMMONS. That is, if the London price falls below a certain figure, Canada guarantees to a certain limit that the price will be maintained?

Mr. BURBIDGE. Yes. Canada is practically in the position of guaranteeing its miners a London price of £18.

Senator SIMMONS. Is there any Canadian duty on this ore?

Mr. BURBIDGE. No; not on ore. There is on lead.

Senator SIMMONS. I mean on lead.

Mr. BURBIDGE. My recollection is that it is 15 per cent; that is, that in addition to the bounty they have the benefit of 15 per cent protection.

Senator WILLIAMS. I will ask you for information in that connection whether the Canadian Government receives a royalty from the miners?

Mr. BURBIDGE. It does on gold and silver, I think; but I think not on lead.

Senator WILLIAMS. You are not certain?

Mr. BURBIDGE. I am not certain, although it would—

Senator WILLIAMS. I am asking merely for information. I do not know myself. That is the reason I ask you.

Senator HEYBURN. I think we will have a gentleman here who will be able to tell you.

Mr. BURBIDGE. Of course, on the face of the matter, it would seem absurd to pay out money with one hand and collect it with the other. I do not think there is any royalty on the lead.

Senator WILLIAMS. We do pay out money with one hand and collect it with the other in the case of a great many things in connection with our own tariff. For example, if the Government imports anything, it has to pay a duty on it.

The ACTING CHAIRMAN. Proceed, sir, if you are not through.

Mr. BURBIDGE. During the last three years the average New York price of lead was 4.38 cents, while the average London price for the same period was equal to 2.88 cents—a difference of 1.5 cents, or exactly the amount of the present duty on lead in ores. As the price of 4.38 yields only a moderate profit to American producers, it is evident that this duty of 1½ cents is absolutely needed to insure the continued operation of our mines.

Taking the average London price mentioned, i. e., 2.88, and adding 25 per cent for duty and \$3 a ton for freight, pig lead could be imported and sold in New York for 3.75 cents. Mexican lead in ores would come in at a duty of 25 per cent ad valorem, based on the New York price, less 1½ cents, or, say, 2½ cents. Twenty-five per cent of 2½ cents is .56 cent. Adding that to the London price of 2.88 makes a price of 3.44, at which the Mexican lead in ore could be sold in this country.

I figure that in this way: Under the McKinley tariff a regulation of the Treasury prescribed that in assessing the value of lead ores imported the New York price should be taken, and from that a deduction of a cent and a half a pound should be made, and the duty should be assessed on that basis. It is evident that if the tariff proposed in the Underwood bill should go into effect, lead in this country would go down to about 3½ cents a pound.

Senator SMOOT. And that would mean the closing of your lead mines?

Mr. BURBIDGE. Yes, sir.

Senator HEYBURN. The price went down to 2½ cents under the Wilson bill, did it not?

Mr. BURBIDGE. Yes; and of course if it had continued, the mines would have gone out of business.

Senator HEYBURN. A good many of them did.

Mr. BURBIDGE. I was employed at that time by the largest producer in the Coeur d'Alene country, and I know from my own experience with that company that for months its balance came out in red. If it had not been a strong company and able to carry itself through that period, it necessarily would have closed. It had confidence in the restoration of a better price, and that in time did come; and they continued their operations and have continued ever since. But if they had been a weakling they could not have stood up at that time. They would have had to close.

Senator WILLIAMS. You say that occurred under the Wilson bill?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. What was the price in 1893?

Mr. BURBIDGE. The most ancient price I have is that for 1898. I have not with me the figures for 1893. I shall be glad to get them for you.

At this point Mr. Burbridge was handed a book of statistics.

Mr. BURBIDGE. Just a moment. It was 3.73, Senator.

Senator WILLIAMS. In 1894, what was it?

Mr. BURBIDGE. 3.29.

Senator WILLIAMS. What was it in 1895?

Mr. BURBIDGE. 3.23.

Senator WILLIAMS. It went down in 1895 from the price in 1894, and went down in 1894 from that in 1893?

Mr. BURBIDGE. Yes, sir; and it continued to go down——

Senator WILLIAMS. When did it begin to rise?

Senator HEYBURN. That was not the end of the decline.

Mr. BURBIDGE. In 1896 it went still lower, the average for the year being 2.98. It did reach as low as 2.40. That is the period I had in mind just now, when I stated that the balance of the largest producer in that section came out in the red every month all through the summer.

Senator WILLIAMS. When did it begin to go down—in 1891 or 1892?

Mr. BURBIDGE. In 1893. There was a little decline from 1890 to 1891; then again from 1891 to 1892, and so on until 1896.

Senator WILLIAMS. It began to fall in 1890, did it?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. And it fell still further in 1891?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. Then, in 1892, it went up a little, did it? No; it continued to fall.

Mr. BURBIDGE. There was a steady decline until 1897.

Senator WILLIAMS. It began in 1890 and steadily declined until 1897. That is what I wanted to get at.

Senator SIMMONS. Can you give, right in that connection, the European prices during those years?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. Please do so.

Mr. BURBIDGE. In 1893, when the price in New York was 3.73, the London price was equal to 2.07. In 1897, when in New York it was 3.58, in London it was 2.64. Then our price steadily improved for three or four years, and the London price also steadily improved. In 1898 the prices were 3.78 and 2.82; in 1899, 4.47——

Senator SIMMONS. But please go the other way. That is what I want. You were going the other way a little while ago.

Mr. BURBIDGE. Which other way?

Senator SIMMONS. 1898, 1897, 1896, and so on.

Mr. BURBIDGE. Do you want me to begin in 1893?

Senator SIMMONS. Yes. You gave a little while ago the fall in prices in this country, starting with 1898, and going back to 1897, 1896, and so on.

Senator LODGE. No; he started in 1890.

Senator SIMMONS. Then we went backward.

Senator HEYBURN. That was under the McKinley bill, for four years.

Mr. BURBIDGE. I will give you whatever figures you wish.

Senator SIMMONS. You gave a little while ago the American prices for several years when the Wilson bill was in operation. Now, I want you to give the European prices for the years when the Wilson bill was in operation.

Senator WILLIAMS. Starting with 1890, 1891, and so on.

Mr. BURBIDGE. The Wilson bill went into effect in 1894. In that year the New York price was 3.29, and the London price 2.05. In 1895 the New York price was 3.23, and the London price 2.34.

Senator LODGE. The London price advanced?

Mr. BURBIDGE. Yes, sir. In the next year the New York price was 2.98, which was a decline for us, and the London price was 2.43, which was a rise for them.

Senator LODGE. As the world's price was advancing ours was declining?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. What was the duty under the Wilson bill?

Mr. BURBIDGE. Three-fourths of a cent a pound on the lead in the ore, as against a cent and a half at the present time.

Senator SIMMONS. Just give all the prices, as you started to do.

Senator SMOOT. In other words, the world price went up as our price went down?

Mr. BURBIDGE. Yes, sir.

Senator HEYBURN. Because we had made a market for the world to some extent.

Senator SMOOT. That is exactly it.

Mr. BURBIDGE. Yes, sir; exactly.

Senator SIMMONS. You gave us the domestic prices for 1890, 1891, 1892, 1893, 1894, 1895, 1896, and 1897. Now, give us the London prices for those same years, beginning with 1890.

Mr. BURBIDGE. I read them at the same time I read the domestic prices, for comparison. I will repeat them if you would like me to. Which year shall I begin with, sir?

Senator SIMMONS. I want the foreign price, now.

Mr. BURBIDGE. Yes.

Senator SIMMONS. You gave the domestic price.

Mr. BURBIDGE. For which year?

Senator LODGE. Give us both, beginning with 1890.

Senator SIMMONS. When you read them, let me know whether the price for 1890 was a drop from the prior year, or whether it was an increase.

Senator LODGE. He has done that.

Mr. BURBIDGE. I will begin, then, with 1890, which was under the McKinley Act. Pigs in bars—

Senator WILLIAMS. Are you reading the foreign price now?

Mr. BURBIDGE. I will in a moment, sir.

Senator WILLIAMS. Very well. Read them both together, please.

Mr. BURBIDGE. This is explanatory. I was going to tell you what the duty was that was in effect at that time.

The ACTING CHAIRMAN. Give our own price and the London price.

Mr. BURBIDGE. In 1890 the New York price was 4.48; the London price, 2.91. 1891, New York, 4.35; London, 2.70. 1892, New York, 4.09; London, 2.34. 1893, New York, 3.73; London, 2.07. 1894—in which year the Wilson Act went into effect—New York, 3.29; London, 2.05. 1895, New York, 3.23; London, 2.34—New York going down, London coming up. 1896, New York, 2.98; London, 2.43—a still further decline in New York, and a still greater rise in London. 1897, New York, 3.58; London, 2.64—a rise in both countries.

Senator WILLIAMS. When did the price begin to go down in the London market? You found it began to go down in the American market in 1890. Was the London price in 1890 over or below the price of 1889?

Mr. BURBIDGE. It was a trifle higher.

Senator WILLIAMS. When did it begin to go down in the foreign market, then?

Mr. BURBIDGE. It declined in 1891, again in 1892, and again in 1893.

Senator WILLIAMS. So that the price of lead in the United States began to decline in 1890, and went steadily down until 1897, when it began to rise?

Mr. BURBIDGE. It began to rise in London in 1895, two years earlier.

Senator WILLIAMS. I am talking now about the American market.

Mr. BURBIDGE. In 1897; yes.

Senator WILLIAMS. In the foreign market it began to fall in 1891, and went steadily down until 1894; did it?

Mr. BURBIDGE. Until 1895. In 1894 it went down; in 1895 it began to rise.

Senator HEYBURN. It is proper to state that 1897 was divided; the Wilson bill went out in August, so the fiscal year was divided.

Senator WILLIAMS. I suppose the statistics of the United States make that assertion. I presume the figures and dates are correct.

Senator SIMMONS. How did the imports to this country run during the years to which you have just been referring?

Mr. BURBIDGE. The imports of lead into the United States?

Senator SIMMONS. Yes.

Mr. BURBIDGE. The importations of lead in ore and furnace products, to be smelted and refined in bond, amounted to 114,397 tons in 1900.

Senator SIMMONS. A little while ago you stated that last year or the year before—I do not know which—the imports of lead into this country were about 16,000 tons?

Mr. BURBIDGE. Yes, sir.

Senator SIMMONS. Confine yourself now to the imports of the same character.

Mr. BURBIDGE. I have here before me the balance of the imported lead remaining in the country, on which duty was paid, for the years 1900-1909. In 1900 it was 14,109 tons; in 1901, 12,405 tons.

Senator SIMMONS. I want you to go backward, instead of forward, from 1900.

Mr. BURBIDGE. All right, sir. I will take it either coming or going, if you will tell me the beginning point. Where shall I begin?

Senator SIMMONS. Begin at 1900 and run backward.

Mr. BURBIDGE. I have here nothing prior to 1900.

Senator SIMMONS. What I want to get is a comparison of the imports of lead into this country from 1890 to 1900.

Mr. BURBIDGE. I have not those figures here, sir; but I shall be glad to furnish them to you. You want them from 1890 to 1900, you say?

Senator SIMMONS. Yes; the imports of lead into this country for each year from 1890 to 1900.

Senator SMOOT. That is, lead and manufactures of lead.

Senator SIMMONS. He stated a little while ago that the imports of lead during the last year were 16,000 tons. Now, I want him to give the imports of lead for every year beginning with 1890 and running up to 1900.

Senator SMOOT. On that same class?

Senator SIMMONS. On that same class.

Senator LODGE. Let us have them from 1900 to 1909. You say you have those?

Mr. BURBIDGE. Yes, sir.

Senator LODGE. Let us have those.

Mr. BURBIDGE. All right, sir; I will read them.

Senator LODGE. There is no reason we should be debarred from having those.

Mr. BURBIDGE. 1900, 14,109 tons; 1901, 12,405 tons; 1902, 25,487 tons; 1903, 24,436 tons; 1904, 28,710 tons; 1905, 38,637 tons; 1906, 36,800 tons; 1907, 28,313 tons; 1908, 28,840 tons; 1909, 18,072 tons; 1910, 16,564 tons; 1911, 15,486 tons.

Senator McCUMBER. Those imports reflect the general condition of business in this country, do they not?

Mr. BURBIDGE. Yes, sir.

Senator McCUMBER. They are greater in the more prosperous times?

Mr. BURBIDGE. Yes, sir.

Senator WILLIAMS. Mr. Chairman, in connection with this table and in connection with the witness's testimony, I would like to put in here facts which appear from it. It appears from this table that in 1889 the price in New York was 3.93 cents; that it rose in 1890 to 4.48 cents; fell in 1891 to 4.35 cents; continued to fall in 1892 to 4.09 cents; continued to fall, and in 1893 was 3.73 cents; continued to fall, and in 1894 was 3.29 cents; continued to fall, and in 1895 was 3.23 cents; continued to fall, and in 1896 was 2.98 cents; and then took the upward turn. That is, the domestic market. I find the London market almost precisely the same. In 1888 the price in the London market was 3.02 cents; it fell in 1889 to 2.84 cents; it rose, then, in 1890, to 2.91 cents. It is curious it did the same thing in this market. Then it fell in the London market in 1891 to 2.70 cents; it fell in the London market, and for 1892 was 2.34 cents; it fell in the London market and for 1893 was 2.07 cents; it continued to fall, and in 1894 was 2.05 cents; and then in 1895 it rose to 2.34 cents, being a year prior to 1896, the year in which it rose in America.

Senator LODGE. Two years prior; our rise came in 1897, you said?

Senator WILLIAMS. Yes; you are right.

Senator SMOOT. In other words, to sum it up, it is this, that with the agitation for a reduction in the tariff in 1893—

Senator WILLIAMS. Did the agitation begin in 1890 or 1889?

Senator SMOOT. It was high then.

Senator WILLIAMS. It began to fall in 1891—

Senator SMOOT. In 1893.

Senator WILLIAMS. It fell in 1891, 1892, 1893, 1894, and 1895. Then it rose in 1896.

Senator LODGE. No; it rose in 1895 and 1896.

Senator WILLIAMS. No; it did not. I beg your pardon; it fell in 1896.

Senator SMOOT. The foreign price did not; it rose.

Senator WILLIAMS. I am talking about the New York price.

Senator LODGE. Oh, yes; the New York price fell in 1896.

Senator WILLIAMS. The New York price fell again in 1896, and the foreign price began to fall, as ours did, in 1889. Then it took an upward shoot, sagged up, in 1890; then it fell again in 1892.

Senator SMOOT. Just as ours did.

Senator WILLIAMS. It fell again in 1893, as ours did; fell again in 1894, as ours did; and then in 1895—

Senator SMOOT. It rose from 2.05 to 2.34.

Senator WILLIAMS. And took this upward sag just about after that. It took the downward sag the same year in both countries, 1889, and then in 1891 the process began again and continued. If you think tariff agitation in 1891 caused it, of course that is a matter of argument.

Senator SMOOT. This is what the record says: That in 1889, 1890, 1891, and 1893 the London market and the American market followed each other. But as soon as the 1894 bill was passed, or when the agitation of 1893, we will say, began, our market fell off even greater than the foreign market. In 1894 the bill did not become a law until August, and therefore the difference in our country from August on made a difference in the price of 44 cents a hundred in the American market, whereas there was a difference of only 2 cents in the London market. That just as soon as the bill went into effect, in 1895, our American market still declined and the London market immediately rose.

Senator WILLIAMS. In 1896 the American market rose—

Senator SMOOT. In 1896 the American market declined.

Senator WILLIAMS. Yes; that is right.

Senator SMOOT. It declined, and the foreign market still advanced above 1895.

Senator WILLIAMS. It still advanced 9 cents.

Senator SMOOT. Yes; ours declined and theirs advanced.

Senator HEYBURN. I would like to have the witness go on with his statement. These discussions are more proper for the floor of the Senate.

Senator WILLIAMS. I find that under the McKinley bill the price had steadied down, making the bottom in 1891, I think, and continued to go down every year until 1894.

Senator McCUMBER. Which means that our prices were governed more or less by the world's demand and the world's price; nevertheless that tariff agitation, followed by tariff legislation lowering the tariff, sent ours down and sent the others up as we opened our markets to them.

Senator WILLIAMS. But the figures show exactly the contrary.

Senator SMOOT. That is just what the figures show.

Senator McCUMBER. That is what the figures mean.

Senator LODGE. Proceed, Mr. Burbidge.

Mr. BURBIDGE. I showed, when last speaking, that the Mexican lead, in ore, could be sold in this country at about 3½ cents. Necessarily, that would fix the price for domestic lead at the same figure, and, as already stated, only the most favorably conditioned mines could operate at that price. More than one-half of the mines would be forced to close. It should be borne in mind that a decline in price falls entirely on the owners of the mines. It must all be taken out of profits. No corresponding reduction can be made in the cost of production. No appreciable reduction could be made except by reducing wages, and that is out of the question, the tendency of the times being toward higher wages rather than lower.

In connection with the subject of wages paid by the Coeur d'Alene mines, which average \$3.60 per day of eight hours, may be contrasted the wages paid for similar labor in Mexico, which average 62½ cents

per day. We pay almost six times as much for our labor as is paid by the Mexican mines. And all other labor incident to the production of lead in this country is from two to four times as high as the corresponding labor in Mexico and relatively still higher than labor in Spain.

I will not refer further to this matter of comparative wages paid by our mines and our principal competitors, for the reason that I shall be followed by a gentleman who has recently made a personal investigation of the matter in both countries who will be able to give you information at first hand.

I have stated that on the basis of the average London price foreign pig lead could be laid down in New York, duty paid, at 3.75 cents, and that many of our American mines would be forced to close. If one-half of the domestic production were thus cut off, it would be necessary to import about 200,000 tons of lead to take its place. At 3.75 cents per pound that would amount to \$15,000,000. Of this, \$3,000,000 would be the duty, but it would be paid not by the foreign producer, but by the American consumer. The other \$12,000,000, also paid by America, would go to fill the coffers of the foreign miners, while our own miners would be tramping up and down the land in search of other occupation.

Another effect of the curtailment of the output of lead ores in this country would be the increased cost of treating siliceous gold and silver ores, now smelted on the lead basis, and the decreased capacity of the lead smelters for handling such ores. A large tonnage of such ores would have to be treated in some less economical way. Those mines that could stand the increased cost would continue to be worked, but the others, which could not stand an increased cost, would have to shut down. Many of such ores are not amenable to other treatment than smelting with lead ores, and these would have to shut down because no other market would be open to them. It is certain that a quite large proportion of the siliceous ores referred to would be cut off, and the production of gold and silver be correspondingly decreased. This would affect the mines of other States than those regarded as lead-producing States, and would cause a large number of men to be thrown out of employment in addition to those thrown out at the lead mines.

Another point that demands attention in the consideration of mining is the essential difference between that and all other kinds of business. Given sufficient capital, and competent management, a manufacturing business grows bigger and better the longer it is carried on. But the longer a mine is operated the less its intrinsic value becomes. Before a mine can be considered as paying any profit at all it must return the capital invested. Or if the life of a mine can be estimated at, say, 10 years, it must, to be a successful venture, return a fair interest plus 10 per cent, the latter in the 10 years repaying the capital. Occasional criticism is made that the profits of some mines are very large when figured on the first cost of the mine. But this criticism could just as well be applied to the owner of rentable real estate who charges a rent based upon the present value of his property, and not on the price paid for it perhaps 20 or 30 years ago. The mine owner is entitled to the greater consideration. He took a risk in developing the mine, and his success has

added perhaps millions to the wealth of the country. The real-estate man took no chance, added nothing to the wealth of the country but profits form an increased value which he himself did nothing to create.

The business of the Coeur d'Alene country, so far as railroads are concerned, has amounted in three years to over \$14,000,000. That is the actual gross revenue paid for incoming and outgoing freight in the Coeur d'Alene district, amounting to nearly \$5,000,000 a year.

Senator HEYBURN. That is for supplies, machinery, etc.?

Mr. BURBIDGE. Of course, the principal item is the ore itself going out.

Senator HEYBURN. Carrying the ore out and supplies coming in?

Mr. BURBIDGE. Another large item is the importation of supplies and fuel; and not only supplies and fuel for the men, but for all the inhabitants of the district.

Senator HEYBURN. Where do they bring fuel from?

Mr. BURBIDGE. From two sections in Wyoming. The fuel importations into the district have been less in the last few years on account of the extension of the use of electric power. But they still amount to considerable.

Senator HEYBURN. How far do they bring the electric power?

Mr. BURBIDGE. About 100 miles.

Senator HEYBURN. There is another element of mining in that country. I would like to have you give some idea of the relation of nonproducing mines to the productive mines.

Mr. BURBIDGE. Yes, sir.

Senator HEYBURN. As affecting the investment, and so forth.

Mr. BURBIDGE. From the statistics compiled by the Department of Commerce and Labor for the year 1909, and relating to the silver and lead mines in Idaho, it is shown that there were 2,185 mines reporting, of which only 154 were producing mines and 2,031 were nonproducing. The total capital reported amounted to \$72,738,889, of which the producing mines represent \$40,752,983, or 56 per cent of the total, and the nonproducing mines \$31,985,906, or 44 per cent of the total. The producing mines paid for expenses of operation and development \$6,582,783; the nonproducing mines, \$2,424,661. The nonproducing mines paid about 27 per cent of the total expense of mining in silver-lead mines.

Senator HEYBURN. That per cent of money, then, is disbursed by nonproducing mines that are in process of development?

Mr. BURBIDGE. Yes, sir. There were 712 proprietors and partners engaged in the business, 34 of them in producing mines and 678 in nonproducing mines. The total number of wage earners was 5,151, 3,077 of them being employed in the producing mines and 2,074 in nonproducing mines.

Senator HEYBURN. Those nonproducing mines constitute the field from which producing mines are drawn from year to year?

Mr. BURBIDGE. Yes, sir; they are the prospective producers of the future.

Senator HEYBURN. And they have not any cash income to encourage them in their work; they depend entirely upon the confidence in the conditions that are to exist?

Mr. BURBIDGE. Absolutely so.

Senator HEYBURN. Where do they draw their capital from, largely?

Mr. BURBIDGE. From the public generally. These prospects are mostly developed by the sale of treasury stock, which is sold in very small amounts to small investors. When anything occurs to make the mining outlook unpromising those investors no longer put their money into the mines.

Senator HEYBURN. They are the first to feel it?

Mr. BURBIDGE. They are the first to feel it.

Senator HEYBURN. They have no surplus?

Mr. BURBIDGE. They have no surplus to draw on. In prosperous times they put their little savings into these stocks, and that helps to develop the mines. Of course, apart from that class of small investors, most of the producing mine owners put a large part of their profits back into the other prospects in the hope of making other mines.

Senator HEYBURN. The producers are continually reaching back into the developing field in order to promote the development of other mines to take the places of those that are worked out?

Mr. BURBIDGE. Yes, sir. The owner of one of the mines in the district whom I know told me that he and his associates had put in more than half a million dollars themselves in the effort to make mines out of other prospects which so far have not been productive. And another gentleman engaged in the district told me that he and his friends had spent over \$300,000 in the same way.

Senator HEYBURN. Still expecting to continue to develop the mines?

Mr. BURBIDGE. Yes, sir. Of course, they understand the business, and are not entirely discouraged; if one venture does not pan out right they try another.

Senator HEYBURN. Who discovers the mines?

Mr. BURBIDGE. The prospector.

Senator HEYBURN. He is a distinctive character by himself, is he not?

Mr. BURBIDGE. He is the pioneer of the mountain States.

Senator HEYBURN. Did you ever know a geologist to discover a mine?

Mr. BURBIDGE. No, sir.

Senator HEYBURN. Did you ever know a scientific person, governed by strictly scientific rules as to where it ought to be, to find a mine?

Mr. BURBIDGE. No, sir. I think the best he can do is, after the prospector has told him that here is a mine, to come and theorize about it, and lay out the work under which it shall be exploited.

Senator HEYBURN. And talk about this bed, and that fault, and so on, in a learned way, only to have the man with the pick find out he did not know anything about it?

Mr. BURBIDGE. Frequently, Senator, frequently.

Senator HEYBURN. Is there anything further you wish to say?

Mr. BURBIDGE. I think that is all I have to say.

Senator HEYBURN. We may have occasion to recall Mr. Burbidge, Mr. Chairman.

The ACTING CHAIRMAN (Senator Cullom). Very well.

Senator HEYBURN. I have here a table which belongs at the end of Mr. Burbridge's testimony, which I will introduce into the record at this time; first, a summary for mines and quarries in Idaho for the year 1909; and following that the principal mining industries of Idaho, 1909. I will ask that they go in in that order.

The ACTING CHAIRMAN (Senator Cullom). They will be inserted in the record after Mr. Burbridge's testimony.

The tables referred to are printed in full as follows:

DEPARTMENT OF COMMERCE AND LABOR,
BUREAU OF THE CENSUS,
Washington, February 17, 1912.

Hon. WELDON B. HEYBURN,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I inclose herewith the tables, showing in detail the mining operations for producing and nonproducing mines in Idaho for the year 1909, referred to in my letter of yesterday.

Very respectfully,

E. DANA DURAND, Director.

Summary for mines and quarries, Idaho, 1909.

	Total.	Producing.	Nonproducing, reporting development work.
Number of operators.....	890	174	716
Number of mines.....	2,451	370	2,081
Capital.....	\$80,998,754	\$48,892,888	\$32,105,866
Expenses of operation and development.....	\$9,652,288	\$7,198,763	\$2,453,525
Services:			
Officials.....	\$66,380	\$43,015	\$23,365
Superintendents.....	\$365,994	\$226,236	\$139,758
Clerks.....	\$108,246	\$38,627	\$19,619
Wage earners.....	\$5,348,460	\$4,045,918	\$1,302,542
Miscellaneous:			
Supplies.....	\$3,383,373	\$1,847,468	\$535,915
Fuel and rent of power.....	\$412,813	\$356,199	\$56,614
Rent and royalties.....	\$29,687	\$27,632	\$2,055
Taxes.....	\$164,935	\$158,145	\$6,790
Contract work.....	\$319,826	\$22,668	\$297,161
Rent of offices and sundry expenses.....	\$452,604	\$332,868	\$119,736
Value of product.....		\$8,649,342	
Character of organization:			
Individual.....	187	63	104
General partnership.....	230	35	195
Incorporated companies.....	1,493	176	1,317
Number of proprietors and partners.....	871	169	702
Number of proprietors performing manual labor.....	297	115	182
Salaries employees:			
Officers of corporation.....	73	24	49
Superintendents.....	202	91	111
Clerks.....	99	64	35
Wage earners, number ¹	5,714	3,592	2,122
Acres:			
Owned—			
Mineral land.....	133,515	42,222	91,293
Timberland, not included in mineral land.....	1,534	1,149	385
Other land.....	2,682	2,303	379
Leased—			
Mineral land.....	5,735	3,246	2,489

¹ Includes two cooperative associations.

² Includes one cooperative association.

³ Dec. 15, or nearest representative day.

Principal mining industries, Idaho, 1909.

	Silver-lead mines.			Copper mines.
	Total.	Producing.	Nonproducing.	
Number of operators.....	757	60	697	4
Number of mines.....	2,185	154	2,031	27
Capital.....	\$72,738,899	\$40,752,983	\$31,985,906	\$3,027,944
Expenses of operation and development.....	\$9,007,444	\$6,582,783	\$2,424,661	\$310,540
Services—				
Officials.....	\$80,350	\$37,015	\$23,335	(¹)
Superintendents.....	\$326,508	\$187,548	\$137,958	\$10,260
Clerks.....	\$100,022	\$52,017	\$48,005	\$5,400
Wage earners.....	\$4,964,771	\$3,098,306	\$1,866,465	\$167,122
Miscellaneous:				
Supplies.....	\$2,247,826	\$1,718,126	\$529,700	\$84,431
Fuel and rent of power.....	\$994,312	\$630,598	\$363,714	\$8,320
Royalties or rent of mines.....	\$25,207	\$23,132	\$2,075	.....
Taxes.....	\$150,019	\$143,287	\$6,732	\$9,674
Contract work.....	\$306,344	\$179,468	\$226,876	\$5,100
Rent of offices and sundry expenses.....	\$411,187	\$343,301	\$67,886	\$17,223
Value of product.....		\$7,926,602		\$416,086
Character of organization:				
Individual.....	109	18	96	1
General partnerships.....	193	5	188	.....
Incorporated companies.....	1,455	42	1,413	3
Number of proprietors and partners.....	712	34	678	1
Salaries employees:				
Officers of corporations.....	67	18	49	(¹)
Superintendents.....	174	64	110	4
Clerks.....	91	58	33	3
Wage earners, number.....	5,151	3,077	2,074	124
Acresage:				
Owned—				
Mineral land.....	101,861	14,130	87,732	1,385
Timberland, not included in mineral land.....	1,284	890	394	.....
Other land.....	1,562	1,343	219	480
Leased—				
Mineral land.....	3,963	1,474	2,489	.....

¹ Reporting development work.² Salary of officials included with superintendents.³ Includes one cooperative association.⁴ One officer included with superintendents.⁵ Dec. 15 or nearest representative day.**STATEMENT OF MR. A. W. NORTH, OF SALT LAKE CITY, UTAH**

Mr. NORTH. Mr. Chairman, I appear here in behalf of the Mine Owners' Association of the Coeur d'Alene to speak concerning these sections of this bill before us.

I presume, gentlemen, that inasmuch as my remarks will be confined to labor conditions in the mines in Spain and Mexico, you will require of me some introductory qualifying remarks, and so, with your permission, let me state that during the last 20 years it has been my pleasure to devote as great a part of my time as I could spare to a study of the early trail makers to the western coast, both of our country and of foreign countries, and that study has naturally led me to an examination of those who made the old Spanish caminos, both priests and Spanish soldiers. In this study I have made several trips at different times in the past decade into Mexico, traveling overland with my pack burros and seeing the country quite thoroughly, bringing out the results of what I have seen in some of the magazine articles and books I have written.

Naturally, going into this subject, it has been my desire to learn something of the Spaniard himself, because the Mexican we see in this country could not—a man of his type—have shown the endurance and the foresight of those early Spaniards who came into this

country in the days of Cortez. My plan, therefore, to make a third book, following up the two I have written on exploration in Mexico, was to go into Spain and see if that type of man still existed—that middle-class man, who knew no fear and who knew no weariness. I was planning to make this trip some time this winter, but received a communication from my old college friend, Stanley Easton, of the Bunker Hill mine in the Coeur d'Alene district, asking me if I would undertake for his people to gather, on the trip that I was to make, information as to labor conditions in the lead mines in Spain and Mexico and submit to him a report on my return. I have been gathering this data in connection with the various other matters I was looking up abroad, and had assumed that on my return it would be submitted to a tariff board—the data which I had for Mr. Easton. To my surprise, on reaching El Paso on the wings of an incipient revolution the other day, I received a wire to come here and place myself at your disposal. I do so with some hesitancy, because I would like to have had a little more time to get more of a prospective and gather together in better shape the information I have. But I will try to submit it to you, and leave to you to gather the conclusions.

If we had a map here I would like to place a peg in a place on the Mediterranean coast of Spain at a point some miles west of Barcelona; then go inland, with my corps, about 100 miles; then travel westward about 400 miles; then swing down to a point on the Mediterranean a few miles east of Malaga. We would then have a region along the Mediterranean coast of southern Spain representing approximately one-fifth of the area of all Spain, and being a region that, from the days of the Phoenicians and Carthaginians and Romans and Moors, has been at frequent times the subject of deep contest. It is a great provision producing region, and a great mining region. I will not go into the ancient history of the mines there, because if you are interested in those ancient branches of history you are familiar with them, if not, it might weary you. Let us consider, therefore, that some six or seven decades ago the Spaniards in Cartagena the old, the new Carthage of the ancient days, having observed the remains of mines in that neighborhood, began to open up some of them. Cartagena and Almeria, both of them lying westerly from Barcelona, are magnificent harbors. Cartagena is the finest harbor of all Spain. Both of these harbors are landlocked. The area of the harbor of Almeria has been estimated at 1,770 acres.

This region which I have described along the coast line of the Mediterranean is bordered by a high range of what we would call in the west hills—I suppose they would call them mountains—a thousand to eighteen hundred feet in height. Then inland, at the northern bound of this region, rises a range of mountains which in winter are snow covered. Along toward the western portion of this same territory there are various ranges of what, from the western standpoint again, I would call hills; they call them sierras, or mountains. The major portion of the lead mines in Spain lie in this district.

I will take the mines of Cartagena, Almeria, and those about Linares and La Carolina above Cordova, as features. The men in these mines receive as wages from 30 to 50 cents a day of American money; those in Linares and La Carolina districts are the highest paid, their wages going as high as 72 cents a day. Boys are a great feature of the Spanish mining labor conditions. Youngsters from 10

to 15 or 16 years are employed in great numbers. For instance, I recollect one mine near Cartagena, where of some 200 "men" working above ground there were about 160 of the "men" who were boys. The men who are engaged in this work are of the type of Spaniard that gave Spain its prominence. This region which I have described is mineral, agricultural, and horticultural. The Spaniards have a saying that God made Valencia. They have another saying that after the corn of yesterday is the rice to-day. In other words, in this region of Catalonia, Valencia, Granada, and toward Mercia there is the most intense agriculture that it has ever been my pleasure to see—and I know our country pretty thoroughly.

The general aspect of the country reminds me very much of California, my native State. The climate is most delightful. In the midst of winter there is sunshine at all times. Several streams from the mountains pass through this region, and from them the Moors began a most marvelous system of irrigation, until they have made of this great region, lying between the hills of the shore and the mountains of the interior, a region of the richest, for agricultural and horticultural purposes. You can see miles and miles of oranges; you can see miles and miles of rice; of wheat, of corn, of beans, and peas, and those various things, olives by the millions, olive oil, and wine—all these various products; and right in the midst of them, you might say, come these mines, the iron mines as well as the lead mines. I am addressing myself to the point before you, which is lead.

The men who are engaged both in the agricultural work here and in the mining business are of a strong Spanish type. They are somewhat larger than I am, men of about 5 feet 8½ inches, as a rule; well built, very temperate, very thrifty, and very industrious. Their hours or labor, fixed by law recently by the Cortez of Spain, are in summer 11 hours, in winter 9 hours, and in the intermediate periods 10 hours. Men and boys work, as I say, in these mines, and their work is equivalent to, and in no way inferior to, the work of the best American labor. Their diet, I suppose, and the climatic conditions, are what enable them to work so cheaply. Meat is an expensive proposition. One of our consuls recently endeavored, in Malaga, to find out what amount of meat was consumed, and found that one-tenth of a pound per day is what the people have. But your general agriculturist or your lead miner in Spain gets no meat. He has rice, he has bread, he has wine, he has his tobacco, and a large item, which I must not overlook, is cheese and milk, both coming from the goat, because goats in droves are found wandering about the streets of the towns and on the hillsides.

There is plenty of fuel in Spain, not only the timber on these mountains, but there is coal also in the mountains. The hills by the shore line are barren of timber. I have figures which I will give in time as to the production of coal in Spain, which has been increasing largely. In fact, Spain generally has had a great revival since 1900, or immediately following her war with this country. Therefore, as I say, these men, qualified to work with this simple diet, live in poor, forlorn sort of homes, which sometimes is but a shack such as we see in Mexico. Generally, though, they are old adobe houses, built back in the days of the Moors, probably, many, many years ago. A family will live in a single room. Their cooking arrangements are very meager, a

couple of stones with a fire between, or some old cooking apparatus of an antique fashion; practically no cooking utensils to use, and everywhere about an absolute lack of what we look at as the sanitary necessities of life. In fact, if I say to you—and I do not want to go further into that—that on the trains, in the first-class trains of southern Spain, one travels and finds no toilet conveniences on a train, you can follow that out and imagine what the squalor of the life of the Spaniard is in these poorer classes. His amusement is a bull fight, and he finds his seat at a very low price; or cock fights. You will see him going home with a rooster under his arm. They are happy people, with all that, and happiness, I suppose, counts a great deal in the output of labor—a strong people, industrious, but living in the midst of this squalor.

As to the mines, some of them are well arranged. If you will permit me just a bit, after the Peninsular War, Arthur Wellesley, who had helped so signally the Spaniards in the repulse of the French, was given a large grant of land in his chosen region, in the Province of Granada, and his heirs hold that to this day. The English visited Spain, and particularly visited Granada and the seaports, and some 40 years ago, hearing of the lead products, began making investments and securing concessions. The French and Germans have done so more recently. The result is that one can see around Almeria, and around Linares and Cartagena, mines, under the control of English and German syndicates which have obtained concessions from the Spanish Government. Each one of these foreign concessionists will have on his board of directors a certain number of local Spaniards of standing in the community. To obtain information from these mines is a very difficult matter, as many of our consuls in the past have found. This is easily explainable when we remember there is a production tax, and the Government, believing that that tax was not properly coming into the coffers of the Government, that the proper amount of production was not given to them, have appointed some commissioners to inquire into it.

My work, therefore, was devoted mainly to visiting among the miners themselves, and, as I was saying, observing their manner of living and their conditions. One of the first things one notices in comparing their work in the mines with that in our own is the absence of care, of humanitarianism. In our own land accidents and death and injury are part of the economic cost of production; but they do not consider that in Spain. In place of that you will see the cripple and the beggar. At first sight it is always hard for an American to see these beggars clustering around. I supposed they were everywhere. I went down to Jatiba and was there a day or two and did not see a beggar. Then I came to Cartagena and I saw the beggars. I saw a man with a hand off, a leg off, or an arm off, and I saw professional beggars. I made inquiry and was told these were men who had been injured in the mines, in the lead mining. Many of them were beggars from choice, I presume. But the mine operators seem to be at no expense in regard to the injury or death of the men, and when the breadwinner is gone, the widow either marries again or else perhaps goes to begging herself.

The major portion of the mines in operation at these different places are operated by Spaniards; and there one notices the great difference between the Anglo-Saxon and the Spaniard. There is a large stretch

of mines, for instance, back of Almeria, along the coast east and west; and in but one of the different groups do they have modern machinery. In the others you will see the Spaniard working with a windlass. With such means he can not get to a depth of over 50 or 60 meters below the surface. Then, again, comes the question of flooding, which is a very dangerous question. I would say the major portion of the mines at Linares are closed by reason of the water. Some Germans have come in and installed pumping machinery, and the water is out, and they are succeeding in producing a large amount of ore.

One question you want information on is what amount of ore is produced there. From a consular report of 1886 and from data I obtained in Spain, which corroborate it, it would seem that Spain produced in 1886 94,895 tons, and in 1909 188,000 tons, approximately; and the production for 1910 was approximately the same figure, 188,000. The amount accordingly in the 25 years practically doubled. But these figures do not present the real lead possibilities of Spain. For instance, in Granada, that province of such historical interest, there are large amounts of minerals and metals whose location has been discovered but which have not been mined at all. This was brought very strongly home to me on meeting an old mining man from my native State, California, a German by birth, but now living in Granada on account of his health. He said, "It is hard for me, a Californian, to see all this mineral, and these fools are not digging it out." But the mines are there ready. The first accurate report of these lead mines was made in 151 B. C., by the historian Polybius while visiting Granada, who found that the Romans had some 30,000 slaves who were producing 3,500 ounces of silver every day. The lead they used for their slingers, mostly Balaeric. On the Balaeric Islands there is also lead, but the mines there have not been worked largely since the days of the Phoenicians.

Senator LODGE. This Spanish lead is mixed with silver?

Mr. NORTH. I was about to come to that. The mines at Cartagena have a small percentage of silver and a large percentage of lead. Those at Almeria are just vice versa, and those about Linares and La Carolina have a large amount of silver in the mines. The mines of Cartagena worked by the Romans were about 2 miles from shore. When you go out by road you will see a great smelter right by the harbor. Go out about 4 miles, and at your right hand is a railroad coming down a little declivity, with the ore cars passing again and again and again. On the road you meet a succession of the carriers of ore from the Spanish mines. First you will see a train of, we will say, half a dozen mules, with a little boy or an old man on a burro at the head. Then comes this train of mules, and they each have their double panniers loaded with ore. Then behind comes a Spaniard sitting on the withers of a little bit of a burro. Then there may come by an outfit from some richer mine. There will be a two-wheel cart loaded down with ore. That will be drawn by three mules, with the old burro in the lead, and the man on the cart is generally asleep. Sometimes he is sitting up smoking a cigarette or eating his meal, but more generally he is sitting there asleep. His rate of wages is about 37 cents, American money, a day.

Going back a distance of 4 miles you come to the mines of La Union at Cartagena. Here in the valley, coming down from the hills, there

are a great number of buttes rising, and on each one of these buttes will be a mine, and on the hills near the coast are a great many deserted mines, which are the ones worked by the Phoenicians and Romans a long time ago. This last year they were working on some mines which had been worked by the Romans to a considerable depth. It would seem the Roman fashion, and the Cartagenian also, was to merely gouge out the heart of the rich veins. The ore seems to lie in very rich veins, and these early miners of 2,000 years ago just gouged out the rich ore, leaving the rest. So that is being worked over to advantage by the moderns.

All the conditions of Spain indicate, first, political ferment, which it is not my province here to discuss; and secondly, great advance. In the 10 years past, for instance, in agriculture there have been 7,400,000 acres of land opened up for agricultural purposes which prior to that were merely waste lands. In other words, some of the big holdings of the grandees are being turned into agriculture.

Senator HEYBURN. Will you tell us whether the development of mines is increasing or otherwise in that portion of Spain?

Mr. NORTH. I was about to say this, that the food prices will remain, you might say, stationary—what the man lives on, so that the labor price will remain where it is.

Senator HEYBURN. I was referring more to the question of production. Is it on the increase or otherwise?

Mr. NORTH. It is on a slight increase, not large, because there is not enough market for it.

Senator HEYBURN. Then it depends on the market?

Mr. NORTH. It depends entirely on the market.

Senator HEYBURN. Had they a market, what, in your judgment, would their capacity for production be? You may use comparative figures if you desire.

Mr. NORTH. I would say double what they do now could be done without difficulty.

Senator HEYBURN. In the near future?

Mr. NORTH. Since 1900 the balance of trade, which at that time was some twenty-seven millions against Spain, has come down to about five or six millions. This is due to her development of mines, the development of agricultural resources, and the immense output in their olives, wine, grain, barley, and other things.

Senator HEYBURN. Do you know to what other countries, if any, Spain exports lead ore or lead?

Mr. NORTH. To France and to England. But there is a great movement on foot throughout Spain, in what we would call their boards of trade, looking toward an American market, both South and North America.

Senator HEYBURN. For lead?

Mr. NORTH. For all their products.

Senator HEYBURN. I am speaking particularly of lead.

Mr. NORTH. They do not consider there is any chance, under present conditions, for them to bring lead here.

Senator HEYBURN. Is the fact that they are not sending any lead here due to the existence of a protective tariff?

Mr. NORTH. I was so informed. Their idea is this: They have a big debt, which was increased by the Spanish-American War; the

Philippines were lost, and their whole system of commerce was disarranged. Now they are desiring to increase their new markets, send their products to America, and thus pay off their war debt.

Senator HEYBURN. Do you think they would be large exporters to the United States if it were not for the duty?

Mr. NORTH. Unquestionably so. Then they would be able to pay off this war debt.

Senator HEYBURN. You have given the comparative labor figures between that country and the United States?

Mr. NORTH. Yes, sir.

Senator LODGE. Have you been in Mexico also?

Mr. NORTH. Yes, sir.

Senator HEYBURN. Just one question before we go to Mexico. How convenient are the lead-producing mines to water?

Mr. NORTH. At Cartagena the mines begin at a distance of 2 miles and run back a distance of 110 miles.

Senator HEYBURN. Where they carry the ore by water how do they get the ore to the vessels?

Mr. NORTH. Both by railroad and pack mules and carts.

Senator HEYBURN. As you have described?

Mr. NORTH. Yes, sir.

Senator HEYBURN. So that it is not an expensive process to get the ore to the water?

Mr. NORTH. Not at all. The mines most remote are those in the Cordova region, Linares, and are not so far from the Guadalquivir, the largest river of Spain.

Senator HEYBURN. Is there large investment in machinery in those mines?

Mr. NORTH. Those under English and German control have a considerable amount of machinery; yes, sir.

Senator HEYBURN. Are they the only ones that would export ore to this country?

Mr. NORTH. I take it they would all be exporting if they had the capital.

Senator HEYBURN. Then, there are mines that, in your judgment, would export ore to this country that have no large investment in machinery?

Mr. NORTH. Any amount of them.

Senator HEYBURN. The larger amount of them?

Mr. NORTH. Yes, sir.

Senator HEYBURN. Now, you can go to Mexico.

Senator WILLIAMS. Do you know what the rate of freight on a ton of ore would be from Cartagena to New York?

Mr. NORTH. I tried to ascertain that, Senator. The nearest I could find was this: The shipments of freight from Cartagena to Barcelona, and along those Mediterranean ports, are made via the River Platte in South America, and then to New York; and the rate is between \$4.15 and \$4.50 a ton. I estimate that if they had a market in New York to which to make direct shipments it would be about half that rate.

Senator WILLIAMS. That is, it is cheaper that way than to ship right straight through the Straits of Gibraltar and then across to New York?

Mr. NORTH. They have no particular market in New York as yet. Their big market is Argentina.

Senator WILLIAMS. Do they ship any lead to Argentina?

Mr. NORTH. No.

Senator WILLIAMS. I thought not. Do you know whether there is any duty against lead ore fixed by the Argentine Republic?

Mr. NORTH. Argentina has got recently a rather severe list of duties.

Senator WILLIAMS. Do you know whether it has any against lead ore?

Mr. NORTH. I could not answer that. I know the Spaniards are very much disturbed because of the Argentina duties and its effect on their shipments.

Senator WILLIAMS. That is, especially upon some fruits that Spain raises and exports?

Mr. NORTH. Yes; fruits and wines and various things.

Senator WILLIAMS. Wines and fruits, etc.?

Mr. NORTH. Yes, sir.

Senator WILLIAMS. That was all I wanted.

Senator HEYBURN. I would like for you to restate the price paid for the labor of men, and especially boys, in the mines.

Mr. NORTH. I can not give you the exact figures now. In Cartagena men receive from 30 cents to 56 cents.

Senator HEYBURN. A day?

Mr. NORTH. A day.

Senator LODGE. Of 10 hours?

Mr. NORTH. Nine hours in winter, 11 hours in summer, and 10 hours in the intermediate period. You might say an average of 10 hours. The boys receive from 20 to 40 cents.

Senator HEYBURN. What do you mean by boys?

Mr. NORTH. From 10 to 18 years of age.

Senator HEYBURN. What per cent of the labor is boys?

Mr. NORTH. Above ground, I would say 80 per cent; below ground, a smaller per cent. But even there the question arises, and they put it this way: A boy can go into a smaller gallery than a man can, and it saves expense in the size of the galleries accordingly; so boys are used for that purpose under ground.

Senator HEYBURN. The ledges are narrow, are they?

Mr. NORTH. They can get into a narrower tunnel and go through to where the ore lies. In Almeria the prices of pick men are 39 cents to 52 cents; assistants, 30 cents to 38 cents; boys, 21 to 28 cents. In Linares the mines lie in the olive orchards, and the maximum price is 73 cents per day, running down from that to the small prices paid the boys.

Senator HEYBURN. What proportion of that labor would be 73 cents a day?

Mr. NORTH. A very small per cent; only about 45 or 50 cents there at Linares would be the bulk.

Senator HEYBURN. An average would be about 45 or 50 cents a day?

Mr. NORTH. Yes.

Senator HEYBURN. Unless you are longer needed in Spain, go over to Mexico now. Tell us when you were there.

Mr. NORTH. I just came out at El Paso the other day and got a telegram to come here.

Senator WILLIAMS. Before you go to that question, have you any figures that would furnish you any basis upon which you could make a statement as to the product per year of the labor there as compared with the product here in our mines?

Mr. NORTH. I can not give the figures for the mines. As I say, it is a very serious thing getting data. All my possessions were stolen from me before I left Spain; my valise, with my larger notebooks, and most of my pictures. I could not say, except by judging the type of man in comparison with the type of miner with whom I am familiar.

Senator WILLIAMS. If you took the total product of their mines and divided it by the total number of people working in the mines, it could be arrived at, could it not?

Mr. NORTH. There you would run against the element of the boy.

Senator WILLIAMS. I mean boy and man, both. I mean, what is the percentage of the product turned out by the human working machine, whatever it is?

Mr. NORTH. I would say, from watching the work there and watching the same class in the American districts, it would be equivalent.

Senator WILLIAMS. Is it your opinion that the Spanish miner, living as he does, as you have told us; fed as he is, as you have told us; sleeping on his cart as he went along, as you have told us, works with 50 per cent of the efficiency of the average American miner in the Coeur d'Alene country?

Mr. NORTH. I put it more than that—that he works with 100 per cent of the efficiency of the American. On practically that same diet I was able to cross the Colorado desert in Mexico some five years ago in August.

Senator WILLIAMS. You are willing to testify that, in your opinion, that man works with as much efficiency as the miner in the Coeur d'Alene country and turns out as much product per hour?

Mr. NORTH. Yes, sir; I am.

Senator LODGE. That is assuming the machinery is equal, of course?

Mr. NORTH. I am merely taking the individual in his work; the machinery is another proposition.

Senator WILLIAMS. If you are going to make that distinction, let us see. Is he to the same extent aided by machinery?

Mr. NORTH. He is not.

Senator WILLIAMS. Is he aided by machinery to 50 per cent the same extent?

Mr. NORTH. He is not.

Senator WILLIAMS. Is he aided by machinery to one-fourth the extent that he is in this country?

Mr. NORTH. About that, I would say.

Senator WILLIAMS. All right.

Mr. NORTH. In those other mines they are themselves working the machines, and, as I say, they use the windlass.

Senator HEYBURN. Give him American and English machinery, and he would do as well as the American or English miner?

Mr. NORTH. Yes, sir. Coming to Mexico, we find a different condition. To begin with, there is lead scattered all over the Mexican Republic, in the portion lying about 200 miles south of the American border, extending down to the City of Mexico—that is, the timberland, as it is called in the geological reports. Before going along any

further as to the labor difference, just a remark or two about what the Mexican is.

The original Mexican was the Maya, a man of high ability and strength. They were pushed down into the Yucatan country. Next came the Otomies, then the Toltecs, who did the foolish thing of inventing the pulque, the drink which has proven a curse to Mexico. The principal people are the Otimi Indians, or the descendants of that class. They are considered very strong. We must remember that before the days of the Spaniards there were no horses or mules in Mexico or on this continent.

Senator HAYBURN. Or cattle.

Mr. NORTH. Yes, sir. Consequently the lower classes were the beasts of burden, and the Mexican of to-day of that type has immense strength in his back, and you can see them get down on all fours, and, with immense weights on their backs, stagger up under them. But the Mexican laborer is not the equal of the Spaniard or the American. They have that endurance and strength. In their campaigns their footmen will go miles and miles and miles in a day, a distance no American could travel in 24 hours. But as workmen in a mine they have not the heads, and they are not the equivalent of the Americans as laborers. But they have a great amount of endurance and are very fond of their work. They have been, from their first entry into Mexico, at least some 1,200 years ago, carriers, and they are still carriers. In many of the mines those men will go up what are called chicken ladders; that is, a tree with the branches cut off, put against the side of a wall; they will climb up with great weights on their backs; rush up that ladder in a way no American could begin to do.

Many American interests have gone into Mexico in recent years with modern machinery, and the Mexicans work from 8 to 10 hours. The Yaqui Indian of Sonora is the equivalent of any worker. He is a broad-shouldered, strong, enduring man. But there are not many Yaquis outside of Sonora there. The descendants of these old Otomies, while they are enduring and very quick, are not the equivalent of either the Yaqui or a Spaniard or an American miner. But they are a very efficient class, and are devoted to their work. Their manner of living is most unfortunate, as we would glance at it. They, too, have very little meat. They live on beans and tortillas and rice, and they live in a cave in the ground or a little bit of a shack; or, in the lava country, they will pile stones together and make a little lair of stones for the family, or sometimes two families in one small room. They have practically no protection against the inclemency of the weather; fortunately the greater part of the year is sunny. If the storm comes, they endure it. The pay of these men is practically the same as that of the Spanish miners, while in some places a miner's pay will be 50 cents, which means 62½ cents, generally, in American money. Then you will find some of the men getting as high as a dollar or a dollar and a half—the mechanics. And the mechanic in Mexico is a better laborer than the common workman, a better type, with more mentality. The trouble with the Mexican worker in the mines is that he does not use headwork. For instance, he will drill down at a certain place because it is the handiest place to drill, not because it is going to displace more ore. It is lack of headwork.

Senator SMOOT. Do they not have American foremen there?

Mr. NORTH. Yes, sir; and the American foremen do the directing work. The mines in Mexico are producing—I would not say in the last two or three weeks—largely, and yet those mines have not in any way tapped the real wealth of Mexico.

Senator HEYBURN. You mean the cessation of the last two or three weeks on account of local conditions? Except for that the production would be going on?

Mr. NORTH. Yes, sir. The majority will resume. Santa Eulalia is about 230 miles from El Paso and Chihuahua. Then we go immediately southward and come to the mines of Mapimi, which are in the cotton belt. Then we go to the southward of Eagle Pass, the mines of Sierra Mojade. Then proceeding slightly westward we come to the mines of the Parral district, or Santa Barbara, more particularly. Then to the lead mines over in Sonora. In fact, the mines are scattered generally throughout Mexico, but the ones I have mentioned are the ones that have been mostly opened up by American capital.

Senator HEYBURN. Tell me as to the proximity of the lead mines in Mexico to the system of railroads.

Mr. NORTH. All these I have mentioned are on railroads, or within a mile or a half a mile of them.

Senator HEYBURN. The railroads were built because the mines were there?

Mr. NORTH. Yes, sir. One difficulty they have experienced in the Chihuahua mines was in the matter of timber; and while I was in Mexico the Kansas City & Northern—I think that is the name—ran its line through the timber belt into Chihuahua, so their timber difficulty is now overcome. Another worry has been in the matter of fuel; but fuel is now being extensively produced in Coahuila. An American company in Tampico has gone into the oil proposition, and gone in big, and they are now about to have coal and oil; and with peaceful conditions in Mexico and the opening up of these mines the output will simply be enormous.

Senator HEYBURN. Tell us the wages in the smelters and the concentrators, if there are any in Mexico.

Mr. NORTH. There are a great number of smelters at Torreón; there the Monterey Bros. have a large smelter. The A. S. & R. Co. have one at Chihuahua. It is right next to the mines at Santa Eulalia.

Senator HEYBURN. Close to the railroad?

Mr. NORTH. Close to the railroad. Then down at Pachuca there are two smelters, as I recollect.

Senator SMOOT. Are they using oil at all for fuel?

Mr. NORTH. They have just begun to.

Senator SMOOT. There are unlimited quantities of it in Mexico?

Mr. NORTH. Absolutely.

Senator HEYBURN. In connection with the question I asked, I would like for this witness to give the wages of the smelters, so it will not be disconnected.

Mr. NORTH. I can not do so. I am going to be frank with you in every respect. I do not know the wages of the smelter men. I know merely what they pay the Americans who are the managers of those smelters, but I am not informed on the labor question. I would state to you that before we left Cuernaraca they dynamited the road ahead of me and when I was returning they shot up the men on the train, and when I was trying to come out from Chihuahua

the road was dynamited and I had to come out by Monterey and through Eagle Pass. I do not consider that my work has been completed in Mexico, both for my book and the investigation I was making for Mr. Easton, and I have to submit to you in this partial manner what has been done.

There is one other point I want to take up, and that is the matter of accidents and injuries.

Senator SMOOT. If the Senator does not object, I would like to ask you a question right there.

Senator HEYBURN. I am not objecting. I only wanted to make the line of testimony I was submitting.

Senator SMOOT. I want to ask you if you know anything in relation to the extension of these great railroads into Sonora and Chihuahua?

Mr. NORTH. Yes, sir; I do.

Senator SMOOT. And if they are extended, is it not a fact that it will open up some of the greatest lead mines in all the world?

Mr. NORTH. Yes, sir; absolutely so. This railroad I have mentioned will cross what is known as the Barrancos at the headwaters of the Yaqui, the Mayo, and the Fuerta, all of which flow into the Gulf of California and the Pacific Ocean.

Senator SMOOT. In reaching those mines, they pass through some of the greatest forests in Mexico?

Mr. NORTH. Yes. I have been in that country, and it is the most wonderful country one can see. But, except for a few explorers or prospectors, it has not been entered. But this railroad is about to reach to it and come to the Pacific, and it is going to mean a new kingdom for Mexico, with the amount of timber and lead and other products they have. Furthermore, there is another railroad on the west coast that is nearly completed, running between Guadalajara and San Francisco.

There is the question of accidents, which is a very frequent one in the mines in our country. We are going to great expense from humanitarian impulses. In Mexico a man is killed, and the jefe, who embraces in his office justice of the peace, coroner, and sheriff, comes to the man and looks at the corpse and asks, "Are you dead?" He asks that two or three times, and the corpse does not answer. Then he says something to the chief of the mine, and if the man has a widow or children the chief gives her the equivalent of \$50, and that ends it. I have never heard of a suit being brought in Mexico, and there would not be any recovery if there were one brought.

Senator HEYBURN. They leave the question as to whether the miner is dead to the miner himself?

Mr. NORTH. Yes. That brings me to another thing. I have here a picture of piles and piles of skulls and bones of human beings. There is no allowance for burial, and the Mexican can only provide for a temporary burial. The man is buried for one or two years, and at the end of that time if the rent is not renewed the body is disinterred and the bones are thrown out.

The American, to compete with the Mexican, has to give up what we call rights—cleanliness, safety, and a place for his bones to lie when death comes.

Thereupon, at 1 o'clock p. m., the committee adjourned until to-morrow, Tuesday, February 20, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 10

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909**

FIRST PRINT

TUESDAY, FEBRUARY 20, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

The average cost per pupil for the last three years in Wardner was \$48.40 per annum; in Kellogg, \$47.87; in Mace, \$82.20; in Wallace, \$42.50. These figures do not include money expended on buildings. The present average monthly salaries in Wallace are \$2,350; in Mullan, \$1,250; in Mace, \$650; in Burke, \$780; in Wardner-Kellogg, \$2,500.

This information is given me by the State superintendent of schools.

The district at Burke has recently built a new \$21,000 concrete high school, and Nyhon district has voted, no more than a month ago, \$25,000 for a new high-school building. Whether that will be put up or not I think depends on the price of lead.

Now, gentlemen, I have shown you some of the things that the miners of my district are doing. I take pride in adding that the local union to which I belong has donated over \$1,000 to the churches of the town, has built a pavilion at a cost of \$2,000, and equipped a lodge room over the Y. M. C. A. at a cost of \$2,500 more in a little more than a year. The fact that we can afford to do these things shows that labor is in good, healthy circumstances.

Another thing I should like to bring to your attention is this: The mines are particularly liberal in helping anyone who wishes to secure a college education. I came to the Bunker Hill and Sullivan mine with a high-school education, and was able, through my own efforts and because of the way they helped me, to work my way through three years of the University of Idaho. I know of practically hundreds of other boys who have secured a college education by working in the Coeur d'Alene mines. The mine owners are very liberal in every respect, and help as much as they can men who are trying to get an education.

Senator HEYBURN. Right there, let me ask this question: It is customary, is it not, for the young men from the university to engage in these mines in various capacities during their vacations every year?

Mr. ROCK. Yes, sir.

Senator HEYBURN. And it has been the custom for years?

Mr. ROCK. Yes, sir.

Senator HEYBURN. It has been the means of their earning enough money to go through the university?

Mr. ROCK. Yes, sir. These universities are scattered all over the United States, and we have men there from the eastern universities as well as the western ones. Every summer boys come there from Yale, Harvard, Princeton, Columbia, and the various universities that have mining schools in connection with them.

Senator HEYBURN. They come to the mines and spend their summers there?

Mr. ROCK. Yes, sir.

Senator HEYBURN. Receiving employment as well as practical experience and education?

Mr. ROCK. Yes, sir.

There is another feature that I wish to mention in passing, gentlemen. I was in the Coeur d'Alene mining district in 1907, during the panic, when the price of lead went down. Two or three of the largest mines there were forced to close at that time, and practically every mine in the district was forced to curtail the number of men it employed. It is a general assumption among all the men of that district—it is common knowledge, in fact—that when the price of

lead in the New York market goes below 4 cents most of the mines can not run.

Senator HEYBURN. Why can they not run?

Mr. ROCK. It is simply a matter of common knowledge among the men that they do not run. I assume that their earnings will not let them.

Another thing I should like to say is that while the capitalists of the district and all other districts invest their money in building up the districts and prospects, they are only one feature of the prospecting. The miners are another feature of it. There are a great many men who work in the wintertime in the big mines, making enough money so that in the summertime they can go out on the prospects and work, and have a grubstake for themselves so that they can develop some prospect. Then, again, a great many of us, like myself, will have men out on a prospect and work ourselves and donate our money toward them, so that one man may work in the prospect and I, the other one, may work underground and earn the money to help him.

Senator HEYBURN. That is quite common, is it not?

Mr. ROCK. Yes, sir; that is quite common.

Senator HEYBURN. Is it not a fact that one of the largest and richest mines in the camp was developed from a prospect to a mine by men who were being supported by men who were working in other mines?

Mr. ROCK. Yes, sir. I know several cases of that kind.

There is only one other thing that I should like to present to you, and that is this: I know there never has been a woman employed underground in the Coeur d'Alene mining district, and to my knowledge there never have been any children so employed. I never knew of anyone being employed underground that I did not believe to be at least 19 or 20 years old. It is very rare that anyone under 21 years old is employed there. There are some cases where they are only about 18 or 19 or 20, but are still full-grown men. No children or women are employed in the Coeur d'Alene district.

Senator HEYBURN. Have you made an estimate of the number of miners that live in their own homes in the Coeur d'Alene country?

Mr. ROCK. I have not made an estimate of that.

Senator HEYBURN. What is your approximation of it?

Mr. ROCK. I presume at least 50 per cent of them—almost all of the married men in Wardner and Kellogg—live in their own houses.

Senator HEYBURN. Men with families?

Mr. ROCK. Yes, sir.

Senator HEYBURN. If the mines shut down, is there any other work in that section of the country that those people can engage in?

Mr. ROCK. There is no other work, Senator.

Senator HEYBURN. They would have to leave their homes and families in order to get any employment?

Mr. ROCK. Yes, sir. The district is dependent upon the mining in every respect.

Senator HEYBURN. Is that all you desire to say?

Mr. ROCK. Yes, sir.

**STATEMENT OF MR. ROBERT N. BELL, OF BOISE, IDAHO,
INSPECTOR OF MINES OF THE STATE OF IDAHO.**

Senator HEYBURN. Mr. Chairman, Mr. Bell is the State mining inspector of Idaho, and has been such for a number of years. He will tell the committee about the general and specific conditions in that region.

Mr. BELL. Mr. Chairman, I represent the mining industry of Idaho, as State inspector of mines. I am a practical miner. I do not make any pretensions to being a technical man.

Senator HEYBURN. State your practical experience.

Mr. BELL. I have followed the mining business in Idaho for 27 years and have been inspector of mines for 7 years. The office is an elective one, just like the other State offices. My duties are, besides looking after the welfare of the underground workers, to go into the more remote parts of the State and study its mineral resources, and make an annual report with a view of advertising the advantages of the region for the investment of capital.

Idaho is one of the richest metal-bearing States in the West. While it has not produced so much as Colorado or California, it has, during its history, enriched the commerce of this country with metal values amounting to \$500,000,000, of which about \$250,000,000 have been gold, \$100,000,000 silver, and \$150,000,000 lead.

We have a variety of mineral resources in addition to these mentioned, including copper, tungsten, monazite, some recent discoveries of the important mineral potash, and the most phenomenal resources of phosphate rock that have ever been discovered in the world.

As lead-silver mining is our principal industry, and at the present time our principal source of mining profits, the tariff-reduction question is a very vital one to our State. I think I voice the sentiment of every man interested in the business and all their dependents in protesting against the proposed reduction in the tariff on lead.

Not only would the proposed reduction, as past experience has shown us, reduce the profits below the point of possible operation, but it strikes at the production of gold. All the western lead ores, as well as the zinc ores, are intimately associated with gold and silver. There is hardly an instance in the Rocky Mountain States where these baser ores do not carry a reasonable proportion, sometimes quite a rich proportion, of both gold and silver. Consequently, to my mind, any action of the Federal Government that would strike at the production of the most essential money metal of the country would be an unwise public policy.

Our lead mines in the Coeur d'Alenes are running very deep, and the operating costs are very rapidly increasing. We have probably the deepest developed lead ore deposits in the world—deposits that have been followed deeper into the ground than the lead-ore deposits of any other country. That condition has materially reduced the profits formerly made, when the ores were more accessible and nearer to the surface.

In the Bunker Hill and Sullivan mine we are mining ore at a depth of 3,200 feet. This depth is not attained by direct sinking, as a fortunate condition occurs in the conformation of the country which permits access to the ore bodies by tunnels. However, it has necessitated some enormously long and expensive tunnels. The mine I

have mentioned is operated through a tunnel, electrically equipped for hauling the ore and men, with a variety of pipes and wires of various descriptions, including a power cable as strong and as expensive per foot as the Atlantic cable. This tunnel is $2\frac{1}{4}$ miles long. It was driven 2 miles through dead country rock before a pound of ore was encountered, for the purpose of striking the vein on its dip from its point or eye up on the mountain side.

After this long and expensive investment was made, and the vein struck, no ore was found in it at the point of intersection, and it looked like a serious disappointment. But subsequent drifting, and a further expenditure of money, developed the fact that nature had played a trick on the calculations of the engineers and set the ore farther back in the mountain. It was ultimately recovered, and has since been developed to advantage.

After finding the ore, to get further depth on it, and maintain its present maximum depth of 3,200 feet, a great station had to be dug out of the solid quartzite, five times as large as this room, to accommodate the necessarily heavy hoisting machinery and other equipment. The shaft is now down 1,200 feet below the level of this 2-mile tunnel and is still being pushed down.

This enormous depth induces excessive rock pressure and increases the cost of operation. Every level that is sunk gradually raises the cost per ton of ore produced, as there is more water to pump and harder ground to hold.

This mine contains ore bodies that in some instances are 100 feet wide and from 500 to 700 feet long; but, on the average, all through they are very low grade. On some of the stope floors I go through in my visits to the mine it is hard to imagine where the mineral is coming from. They look almost barren of the mineral in its various scattered forms. Again they will show streaks of pretty clean ore. The average all through is about 10 per cent lead in this particular mine, which is one of the best in the district.

The principal cost in getting this mineral is due to the nature of the ground; and the great depth at which it is mined requires very elaborate and heavy timbering. The spaces mined out have to be supported with square sets of sawed timber, nicely framed and fitted, and then filled with waste sorted out of the vein. It is impossible to keep open at one time more than one or two floors, or a space of from 5 to 10 feet between the breast of ore and the supporting ground, for fear of a cave. However, the greatest care is exercised in this operation, and the men are very well protected. Our fatal-accident list is as low as that of any State in the Union; and I want to fully indorse all the good things Mr. Rock has said about the conditions under which labor is employed in the Coeur d'Alenes, and, in fact, in all Idaho.

The Coeur d'Alene district has one of the most beautiful, healthy, temperate climates in the Northwest. It is a steep, rugged canyon and mountain country, heavily timbered, with good water; and the living conditions are very good. I do not believe there is a mining district in the world where there is a closer unity, or a better feeling between labor and capital, than in this district.

Experience has shown that after 25 years' operation some of these big mines, at least, have a maximum ore-bearing depth of from 2,500 to 3,000 feet, and several of the more important producers are now

exhausted. We have a Government report on the district which has been of great advantage in its subsequent development. It was issued about eight years ago; and with the exception of some conclusions it has been of great advantage to our further operation, and quite a valuable guide. It deprecated, however, the probability of the extent of the districts, and intimated that all the big mines had been found. I personally took issue with those conclusions at the time the report was published, and since have been able to show that they were wrong.

The ore bodies of the Coeur d'Alenes that are producing so largely at the present time occur in hard quartzite formation. This is bordered to the north and south by a blue slate formation, and this slate formation was considered by the Government report unfavorable for ore. But the persistence of the prospector has demonstrated beyond dispute that this slate area contains hundreds of promising prospects which, while they carry lead ore richer than the quartzite ores, carry very low values in silver, and evidently are going to prove a big source of lead bullion if the price can be maintained at a point where they can operate.

Senator HEYBURN. What is that designated by the Government report?

Mr. BELL. It is designated as the Pritchard formation—the Pritchard slates.

Senator HEYBURN. And it stood there as a bugbear to mining for a long time on the say-so of a Government inspector?

Mr. BELL. Yes.

Senator HEYBURN. It required the practical miner to demonstrate that he knew more than the Government inspector, did it not?

Mr. BELL. Yes. It has been found to carry ore to a depth of 1,400 feet, and shows the best value at that depth, with splendid horizons every 200 feet from there to the surface. So there is not any question as to whether the ore will go down to that formation. It really has gone down to a very material depth; and it is very probable that this experience will be followed in the dozens of other good prospects in the district, if they can be given the encouragement of a decent price for their product. But, as I say, they are at a disadvantage over the main producers in the fact that their associated silver values are very low, varying from 2 to 8 ounces per ton of concentrates or clean crude ore that will run 70 per cent lead; so that the silver does not help the lead value to any considerable extent.

In Idaho, in addition to the Coeur d'Alene district, we have a number of other very promising lead-silver districts. These are scattered over the State in a particular horizon of formation that borders on the Grand Island and altered metamorphic rock, which seems favorable for these base ores, and extends from the upper end of Bonner County, adjoining the Canadian line, for 700 miles to the southwest corner of the State in Owyhee County.

Our first lead-mining history was in 1875, in Owyhee County—almost the most remote district in the State from the present source of supply. That development proved unprofitable, in spite of the fact that it produced bullion that ran 200 ounces of silver. At that time it had to be hauled about 250 miles on wagons, and the enterprise was abandoned and has practically remained so since then.

Senator HEYBURN. State what those mines were called.

Mr. BELL. They were called the South Mountain mines, in Owyhee County.

Senator CLARK. Do they still lack transportation facilities?

Mr. BELL. They still lack transportation facilities, but the transportation is a good deal nearer now than it was then. At that time the Central Pacific Railroad was the only means of transportation. We subsequently had rich lead discoveries in Blaine County, which lies in about the south central part of the State, a little north of the main line of the Oregon Short Line Railway. The Blaine County mines were rich in silver. They were discovered at a time when silver was worth a good deal over \$1 an ounce, and for a number of years they were very profitable. They carried good lead values and produced a total of something like \$18,000,000 in a period of about 15 years. But they proved to be comparatively shallow, and the ores got lower grade as depths were attained, and now the industry in that district is at a very low ebb.

In Lemhi County, following north about 150 miles from Blaine County, we had a lead industry developed in 1883 and a production of \$5,000,000 worth of very high-grade carbonate ore, which was produced at a loss by reason of the low price of lead at that time and the further fact that the ore was low in silver.

Within the past 18 months the Lemhi district has been given the advantage of railway transportation by the construction of the Gilmore & Pittsburgh Railway, which is supposed to be a new Mill line through to the coast. Since the railway has struck that old camp, which has been dormant for 25 years, it has at once taken on new life, and there have been two new camps established, which have given employment to 500 men.

During 1911 the district shipped nearly 20,000,000 pounds of lead, 500,000 ounces of silver, and 500 ounces of gold. This shows, as do other western ores, the particular association of the precious metals with these base metals; and in my opinion it is a strong reason why, if our gold supply and money of ultimate redemption is to be maintained, no action should be taken to prevent the mining of this precious bullion, which indirectly will be done if the lead-mining industry is destroyed.

I will say, in connection with the matter of lead ore, that it would be logically supposed by anybody understanding lead that the ores should be treated on the ground into lead bullion. But, as a matter of fact, we have not any fuel with which to smelt and no flux whatever in the Coeur d'Alene district. It is necessary, therefore, that the ore shall be shipped to a market where those conditions prevail; and they have to take advantage of the best opportunity to market the ore, which necessitates the shipping of a ton of waste for every ton of high-grade concentrates that go out of the district.

The value of lead ore in its use as a collector for precious metals is a most important feature. Nothing has been developed in the smelting business that equals lead for collecting gold and silver from silicious ores.

Senator CLARK. I should like to ask you where you ship your ores for smelting?

Mr. BELL. They are shipped to the different plants and smelting centers of the country, including the A. S. & R. Co., which has smelting plants at different points.

Senator CLARK. But what I want to know is where they are shipped—to what points?

Mr. BELL. In the Salt Lake Valley, at East Helena, Mont., I think at Pueblo, Colo., and probably at Omaha. They used to have a big plant at Omaha. Othershippers send their ores as far east as Carnegie, Pa., and to Salida, Colo. Smelting never has been a success in Idaho. We have at the present time, I think, four idle smelters. At various times attempts have been made to smelt the ore on the ground. Lead is the easiest ore there is to smelt; but it is essential to have limestone for flux and coal or coke for fuel, and neither of those substances exists in our best lead districts. We have a small area of very valuable domestic coal in the southeast corner of the State, but it is about as remote from the big sources of lead supply as Salt Lake City is, where the largest establishments in the world exist. Consequently the bulk of the ore goes there.

But I want to say, in connection with the virtue of lead ore in collecting gold and silver from silicious ores, that in Idaho, at the present time in rather remote districts, we have some immense resources of gold and silver bearing ores that are rather dirty (to use a miner's or smelter's term) with antimony and arsenic that can not be treated by any chemical or local process, such as cyanide or chlorination, and must be smelted in connection with lead. Our State is now receiving considerable attention from transportation people. We have, I should say, half a dozen railway extensions in progress, and we are hoping to have the advantage of this transportation feature to the silicious gold and silver bearing districts. When that condition is better developed we can double or treble our precious-metal output over the present production by getting it from this base silicious ore source that does not carry enough lead to smelt in itself and can not be treated by any other method.

That condition prevails in nearly all the Western States. The class of silicious gold and silver bearing ores that I have described prevails in all the mining States. Without the advantage of our lead, and the lead of Utah and Colorado, those ores could not be treated, and the gold production of this country—which I consider essential to the maintenance of its credits—would be materially affected. It amounted, I believe, to nearly \$100,000,000 last year; and I think it would be a very unwise public policy to throw any obstacle in the way of the production of this precious metal.

I consider that the present and the prevailing price of lead during the past two years is reasonable. It is not very high, and it is not very low. It has ranged between 4 and 4½ cents, or 4.60 cents.

Senator McCUMBER. That is at New York?

Mr. BELL. At New York. At those figures our properties can operate at a decent, reasonable margin of profit. Past experience has taught us that below 4 cents there is not much profit in mining lead in Idaho; and at 3½ cents we are completely put out of business under present conditions.

The costs of various kinds of materials and supplies used in mining have materially advanced in recent years, and have made it much more costly to operate and get a ton of ore to the surface.

Another thing: We have a great variety of other mineral resources in the State that we want to develop. The only profitable mines at present are our lead-silver mines. If they are put out of business,

and their profits are destroyed, by a lowering of the price of lead, it will remove the incentive for investment in our other resources.

As I have stated, we have a variety of other mineral resources that want development. I think our phosphate resources are among the most important mineral resources in the country that have, or can be made to have, a very material bearing on the cost of living, by increasing the production of agricultural products. We want them developed, and they involve a mining problem which takes mining capital. I am afraid we would not have left a single instance of a profitable, dividend-paying mine if the price of lead were to go another cent below its present market. In that event the incentive of an example of successful mining would be lacking, and in consequence our State would suffer stagnation.

Senator McCUMBER. From your investigations, and as an officer of your State, are you able to say to the committee what it costs per pound to produce lead in Idaho, on the average?

Mr. BELL. I understood when I started that Mr. Burbidge would go into that detail, as he was better prepared and posted on the subject than I am. I think the figures he gave the committee yesterday will fully answer that question, Senator. I am not prepared to answer it.

Senator McCUMBER. If they are already in the record, I do not care to have them repeated.

Mr. BELL. I think they are already in the record. I think that question was discussed pretty thoroughly yesterday.

Senator McCUMBER. Has anyone who has given testimony here shown the prices paid to the different classes of labor engaged in lead mining in Idaho?

Mr. BELL. Yes, sir. That subject has been fully discussed. The prevailing wages are \$3.50 a day for miners, and the lowest wage paid for any form of underground work is \$3 per day.

Senator McCUMBER. That is very much more than I observe here is paid in Missouri.

Mr. BELL. The wage scale in Idaho is about the highest of any lead-mining district in the world.

Senator CULLOM. What is the highest wage you pay underground?

Mr. BELL. The price for the average miner underground is \$3.50 a day; but it varies, and ranges up to \$6 a day. It may run to \$3.75 for assistant timbermen, \$4 for timbermen, \$5 for shift bosses, and \$6 for superintendents. The lowest wages paid are \$3, for shovelers, the simplest form of labor we have.

Senator CLARK. \$3.50 is the miner's scale?

Mr. BELL. \$3.50 is the miner's scale and is uniform throughout the State, with the exception of one gold mine that employs 200 men. The rate they pay was established by them a number of years ago. The mine has gradually retrograded in value and the profit had gradually gotten lower as depth was attained so that they could not afford to raise it. But none of the base-ore mines—the smelting-ore mines—pay less than \$3.50 a day.

Senator McCUMBER. How do you account for the wages being so much higher in Idaho than in Missouri for the same class of labor? I speak of Missouri particularly because we have here the statistics from that State in the reports.

Mr. BELL. That was brought about by the Western Federation of Miners, by the cost of living in the far West, as compared with Missouri, always having been very much higher, and every condition of life being on a higher cost scale. When I went there it was very common to find men getting \$5 a day along in the early periods, and really I think the wage scale of the base-ore miner of the Northwest was established by the miners of Butte. They demanded an eight-hour day and \$3.50 a day for common mine labor. They had a successful union there and they have maintained their price, and they never have had any very serious difficulty with their employers. That principle is followed all through Idaho. Idaho follows the Montana scale of wages.

Senator McCUMBER. I noticed that the Missouri wages paid in 1911 were as follows: Drillers, \$2.25 per day; blacksmiths and backhands, \$1.95 per day; while in Idaho, according to your testimony, the same work would run from \$3 to \$3.50 per day.

Mr. BELL. It has depended a good deal on the geographical situation of the mining district. In Missouri you have a very large, thickly populated agricultural country, and a big source of lead supply. Mines almost invariably pay more than any other industry for the same quality of labor in proportion to the headwork required.

Senator McCUMBER. Is the cost of living, rents, etc., considerably higher in Idaho than in Missouri?

Mr. BELL. I do not know what the conditions are in that respect in Missouri, but I should guess they are 50 per cent higher. Of course until a few years ago Idaho was a sparsely populated country, and labor was not very easy to get on demand. Consequently it could command a very good price, especially for good men. The tendency of the operators, especially in the Coeur d'Alenes, has been to raise the tone of the class of labor employed. They have shown a willingness to meet them half way, and divide profits to the extent of paying them the best wages the industry would stand.

Senator McCUMBER. Is the labor market open there?

Mr. BELL. Yes.

Senator McCUMBER. Or is it operated entirely by union miners?

Mr. BELL. There are several unions, but it is a free camp in that respect. A man does not have to be a union man to get employment. The only purpose of the companies is to see that the State law is complied with, and that none but citizens are employed, or those who have declared their intention to become such. Their purpose is to employ men that they can reason with.

Senator McCUMBER. Is there a State law that prohibits the employment of persons of foreign birth before they have declared their intention to become citizens?

Mr. BELL. Yes, sir; I think that is the law.

Senator CULLOM. That was stated yesterday.

Mr. BELL. We pay, in the Coeur d'Alenes, \$3 per day for common labor on the streets. I did not recall that. Mr. Burbidge has just handed me that information. In fact, very little labor in Idaho is paid less than \$3 a day, except that employed in the section work on the railroads, and new railway and canal construction work, which does not require skilled labor. Our agricultural people pay from \$40 to \$60 a month for their men. I have a little suburban farm of 10 acres near Boise that I employ a man to run. I pay him \$50 a month,

and he makes enough out of it, besides the requirements of the family, to pay his wages.

Senator McCUMBER. Does that law really shut out anybody at all?

Mr. BELL. No, sir.

Senator McCUMBER. The fact is that any man can declare his intention to become a citizen; and I presume everybody that wants work, who is foreign born, immediately declares his intention to become a citizen, and gets work?

Mr. BELL. Oh, yes.

Senator HEYBURN. The Senator has the wrong impression. I think 65 per cent of the miners are native-born Americans, and more than half of the remainder are naturalized.

Senator LODGE. That was testified to the other day.

Senator McCUMBER. I suppose the real effect of the law is to compel everyone who wants to do work to declare his intention to become a citizen.

Senator HEYBURN. The real effect of the law, if I may be pardoned for digressing, is that it has drawn a class of miners from sections of the country where the surplus boys of the business houses and of the farms went into the mines because it was the most profitable and promising field of labor. We drew practically the renewal of the force of the Coeur d'Alenes, after the great strikes there, from those communities; and it is very largely a community of native-born Americans.

Mr. BELL. Yes; I think that is true of all the mine operations in the State.

Senator CULLOM. If your mines were closed up for any reason, what could the people there do to get a living?

Mr. BELL. They would be sorely distressed as to what to do, Senator. The labor field in other lines of work of a lower grade is pretty well occupied at the present time. Railway construction has introduced a great many of the cheaper class of laborers, recently arrived foreign laborers, that work for lower wages; and our mining communities would be sorely distressed to know what to do.

Senator CULLOM. How near are you to agricultural lands?

Mr. BELL. There is no agricultural land whatever in the Coeur d'Alenes, practically speaking. There are some little, narrow, shoe-string strips along the rivers where they raise a little garden stuff, but that is all; and practically the whole population of the Coeur d'Alenes would have to move out and go to Washington and engage in agriculture or some other pursuit.

Senator HEYBURN. Or elsewhere in Idaho?

Mr. BELL. Or elsewhere in Idaho. Of course, we also have, in southern Idaho, some magnificent tracts of agricultural lands; but they are all high-priced lands, and are well occupied. There is very little public land left that is available with water; and it is not of any value without water. The water resources are pretty well rounded up and are in process of development. So if the mines are shut down, there will be a very seriously distressed army of five or six thousand people in the State.

Senator HEYBURN. They will have their homes on their hands?

Mr. BELL. They will have everything on their hands. It will be a dead loss, and it would prove disastrous.

Senator McCUMBER. Would the proposed reduction compel you to shut down? Would you not rather be compelled to lower your price of labor to conform to the reduction?

Mr. BELL. Judging by past experience, we would have a very serious problem in trying to lower the price of labor. The only labor war we ever had was on that point.

Senator McCUMBER. But if you could not make the mining pay without lowering it, you would have to lower it, would you not, whether it was difficult or not?

Mr. BELL. I am afraid it would not pay. Our mines are so deep that they need a high class of labor to operate them; and that class will not work for any less pay than it is now receiving, as long as there is an opportunity to get it. Of course, some of them would find employment in the copper mines; but, on the other hand, they are pretty well supplied with labor at the present time.

Senator McCUMBER. Would not the result be to force down the price of labor?

Mr. BELL. Absolutely. They would try to operate, unquestionably, and labor strikes would immediately be instituted.

Senator HEBURN. It would force down the price of everything else that labor consumed, would it not?

Mr. BELL. Yes.

The CHAIRMAN. Have you anything further to state to the committee?

Mr. BELL. I think I have covered the subject as far as I am able to do so.

STATEMENT OF MR. EDWARD A. ROZIER, OF FARMINGTON, MO., ON BEHALF OF THE LEAD PRODUCERS OF MISSOURI.

Mr. ROZIER. Mr. Chairman and gentlemen of the committee: My name is Edward A. Rozier, of Farmington, Mo. I appear more particularly on behalf of the lead producers of southeastern Missouri.

Before entering upon a discussion of mining conditions in southeastern Missouri, I desire to some extent to refer to some statistics.

In the first place, the annual production of lead in the world is 1,132,000 tons. That is the figure given for the year 1910. During the same period the production in the United States was 392,000 tons. Therefore, the United States was producing 35 per cent of the lead product of the world. The figures contained in the table which is now before the Senators show that for about 35 years the production of the United States has just about equaled its consumption. Of course, during certain periods, there would be some larger importations. But taking the period of 35 years past, the importation of lead into the United States has been in almost negligible quantities.

Therefore, I may start out with the proposition that the United States, in respect to its lead industry, is most favorably situated indeed; because during that period of time it has produced just about what its consumption was.

From the standpoint of political economy there can be no question that a country must be most prosperous in a particular industry when its production and its consumption are at an equilibrium, especially provided that production be furnished to the consumer at

either an average cost price for a given period or less than the average cost price.

When we examine the figures bearing upon the cost price of lead for 41 years—and I expect it would be true for a previous period—we deduce the proposition that the price of lead in the United States since 1870 has averaged \$4.62 per 100 pounds. When we examine the average quotations for the years 1908, 1909, 1910, and 1911, we find that the average is \$4.35. So to-day the United States manufacturers of all classes of lead are receiving their lead at a price considerably lower than the average price for 41 years.

Of course some gentleman may very readily suggest to me that the price in the United States is higher than the price of the world at large. I readily concede that proposition. It may be further urged that that higher price is due to the protection given by the United States laws upon the subject. Be that as it may, we have that precise condition: That from an economic standpoint, the United States to-day is producing its entire consumption of lead at a price lower than the average price for forty-odd years. So I say that seems to be an ideal condition for the people of the United States. Where they have a product which is necessary to the comfort or convenience of their people, that can be put upon the market, answering all the demands of consumption at a continually reduced price, surely no man in this committee can question that that, at least, is a favorable condition for the people of the United States.

Senator CLARK. Let me ask you this question there: Would not that depend somewhat upon the cost of production?

Mr. ROZIER. Why, surely it would.

Senator CLARK. You have not mentioned that. You were mentioning the cost at which it was furnished to the consumer of the lead.

Mr. ROZIER. I will suggest, Senator, that the relation of the cost of production to the price at which the product sells is a matter that is regulated by the law of supply and demand. In other words, whatever is produced at a low cost price and is sold at a relatively high price will invite competition; it will invite the entering of capital into that production. So in this particular instance the very fact that we have continued to produce simply an amount about equal to our consumption is conclusive proof that the profit in the enterprise is only such as would ordinarily accrue to capital engaged in any other manufacturing or mining enterprise.

Senator JOHNSON. Do you say that for the last five years we have produced all the lead we have consumed?

Mr. ROZIER. We have produced perhaps a little more than we have consumed. The figures show that perhaps an average of 15,000 tons of pig lead, or its equivalent, has been imported into the country. In preparing the table I have there I sought for late information upon the question of consumption, but I found I could obtain only what might be called approximations. So I should say that to-day we are producing fully as much as our consumption, and perhaps a little in excess of it. But the figures fairly demonstrate that if there were a greater demand, or if there were an undue profit in the enterprise capital would go into the enterprise and would so stimulate it and develop its production that of necessity the price would fall.

Now, gentlemen, we go a step further. In the present bill we are confronted with a proposition which asks for a reduction of the duty upon both lead and lead ore. I am going to propose this casual suggestion here: That at least the present bill is an anomaly in the sense that it imposes the same duty (25 per cent *ad valorem*) upon lead ore and upon the complete manufactures of lead, leaving no stimulus to the industries of the United States to add whatever labor or whatever smelting operations could be done in the United States. So in reality there is no benefit to follow in the United States from the importation of lead ore as against the importation of pig lead, or lead in any of its manufactured forms.

I desire now to discuss a further question along the lines of political economy. The present duty involves a reduction of about 60 per cent in the duties that heretofore have been imposed upon lead. If that duty becomes effective, lead must of necessity take a lower price in the United States. If it takes a lower price, the producers of lead in the United States must of necessity meet that lower price, if they can. If they can not, then the unfavorably situated mines, at least—those that have not favorable conditions, either of operation or of the raw product that may be found in the earth—will be forced out of business.

So I deduce this proposition: If the price of lead is lowered (and of necessity it must be lowered, under the proposed duty), we shall at once meet with a competition which will close down or restrict the production of a great number of mining enterprises in the United States. If the price is reduced three-quarters of a cent a pound, we shall find that perhaps more than one-half of the production of lead in the United States will at once cease. I say this because, as I have suggested, and as I think the figures I may show later will demonstrate, the cost of production now affords only such a margin of profit to capital as seems to be fair and reasonable. Therefore a reduction of from 40 to 60 per cent in the duty will lower the price of lead from three-quarters of a cent to perhaps a cent and a quarter per pound. That would mean the closing down of approximately one-half of the lead mines of the country.

At once, with that reduction in production, there must be a purchase of supplies abroad. The United States uses one-half as much lead as the rest of the world. Consequently, when we encroach upon the supplies of the world we at once increase the demand for the foreign product. Increasing that demand will mean either an increased production in foreign mines or an increase of price.

Of course, some gentlemen may say: "Oh, well, that is a condition that will easily adjust itself." But, gentlemen of the committee, all of you perhaps do not understand that lead mining, as practiced in the United States, is not a pick-and-shovel proposition. It is not a proposition in which a laborer or a capitalist may go out to-morrow and start the production of lead. The production of lead, as carried on in the United States, is a most expensive mining proposition. It is one involving the outlay of large amounts of money for machinery, concentrating mills, smelting mills, the sinking of shafts, the keeping of those shafts unwatered (in other words, maintaining pumping), and all that.

When you close down a lead mine for two or three or four years, you practically destroy it. In the first place, as the history of all manufac-

turing enterprises demonstrates, idle machinery deteriorates very rapidly indeed; and perhaps five years of disuse of mining and milling machinery means almost the confiscation of the machinery. But it goes further than that. It goes to the condition of the mine—the underground stopes and drifts. They become filled with water and the roofs overhead become dangerous to operate under, so that when a mine has once been closed down for a period of two or three years or four years it means the abandonment of the property.

Therefore, if we went into the markets of the world to buy the portion of our consumption that would be necessary, we at once would be in the condition that with our mines closed during the two or three or four year period they could not be reopened, even though the price of lead, having gone up to approximately its present price, would invite a return to mining operations. Men might be willing or anxious to go back into the business, but they would go back to their properties and find them unfitted for operation, and they could be put in position for production only by the expenditure of large amounts of capital and much time. The result would be that we would have transferred our market and the profit that now remains in the United States to the foreign producers.

Senator WILLIAMS. I believe you said that about half of the producers would have to go out of business, according to your estimates?

Mr. ROZIER. That, of course, is purely an estimate, Senator.

Senator WILLIAMS. I understand that. Then your estimate is that the other half could stay in business?

Mr. ROZIER. I should say so, in general terms; yes, sir.

Senator WILLIAMS. At a profit?

Mr. ROZIER. I think so.

Senator WILLIAMS. Or else they would not stay. If they could stay in at a profit and this increased demand for their particular goods were created, they would increase their production, would they not?

Mr. ROZIER. If they were in position to do so.

Senator WILLIAMS. But if they were in a position where they were making money by producing lead, they would be in a position where they could make more money by adding to the size of their plant, would they not, or by opening new works?

Mr. ROZIER. Oh, no; Senator. That does not follow in the case of a mine. Most mines are operated to the full extent of their capacity. Mining is not like opening up or plowing additional cotton land. It requires time to open a new face.

Senator WILLIAMS. I understand that, and I understand that you can not go out and find a mine every morning, as you can go out and find a place on which to put some cotton. But if the other half of the people could continue to do business at a profit, do you not think they would do more business?

Mr. ROZIER. They might be able to develop and increase their product to some extent, but it would be only in a very small proportion.

Senator WILLIAMS. Now, I want to ask you this question: Why do you say part of the men would have to go out of business and part would stay in? Is it not largely a question of different equipment in the mines, capitalization, and organization?

Mr. ROZIER. No, no, Senator.

Senator WILLIAMS. What is the line of distinction, then?

- Mr. ROZIER. It is almost entirely a question, first, of the richness of the ore bodies; second, of their availability to means of production. To put it another way, it is a question first of mining; second, of smelting; and, third, of marketing.

Senator WILLIAMS. I see.

Mr. ROZIER. But many mines operate only at the very limit of profit, or perhaps with no profit at all. When I come to discuss the southeast Missouri mines I shall perhaps elaborate a little upon that proposition.

Senator WILLIAMS. If we had a tariff of a dollar a pound on lead, and people had been working under it for 10 years, say, and capital had gone in and mines had been opened on that basis, and that tariff were reduced to 80 cents a pound, some people would have to go out of business, would they not? The people who were right on the ragged edge would have to quit, would they not?

Mr. ROZIER. Yes; but you are supposing the imposition of a duty that would be so excessive that it would greatly restrict consumption.

Senator WILLIAMS. I know that. I was supposing it merely for the purposes of illustration. In other words, no matter what the rate is, or what the conditions are, if anything causes you to change to a lower price for the product, the people who are just on the border line, just making a bare profit, will have to quit business, no matter what the duty is?

Mr. ROZIER. That is true; but in the case of lead the margin is so close that only the very well situated mines, the very rich mines, rich in ore bodies, would be able to continue. I am very frank in saying to you that there are mines to-day that are so situated, that possess such a richness of ore, that perhaps they could mine under any conditions. Their lead might be to them the equivalent of a gold mine to some one else—the equivalent of a fairly good grade of gold ore.

I wish now to present another matter, with respect to the manner in which the duty is levied under the Underwood bill. Senators will note that paragraph 51, prescribing the duty, reads:

Lead-bearing ore of all kinds, and lead dross, 25 per cent ad valorem upon the lead contained therein.

To some of the Senators that may not be very intelligible—"25 per centum on the lead contained therein." It is a question what that means and what interpretation it will receive at the customhouse doors when lead ore is imported under the provisions of this bill, if it becomes a law.

I will suggest to the Senators that there are many possibilities for wrong—not of fraud, but of wrong—upon the people of the country in the importation. When a quantity of lead ore would be presented at a port of entry, say upon the Mexican border, under the law they would be required to have an assay taken of the lead content to determine how much lead there was therein. The next question would be, What is the market value of that lead ore at the particular port of entry? Say, for instance, the port of El Paso. If that lead ore contained 15 per cent of lead, how would its value be ascertained so as to levy a 25 per cent ad valorem duty?

Perhaps some one would say—and I think I can state to the committee that it is the opinion of the present Underwood committee—that the duty would be levied as though the lead contained in the ore

were pig lead at the port of entry. But, as they further state, that would be a matter of Treasury construction.

It seems to me that two phases of the matter would present themselves to the customs officers in determining what duty should be paid. One theory would be that the basis should be the market price of the lead in the ore, deducting therefrom the freight between El Paso and New York, and deducting therefrom such necessary smelter or treatment charges as would be imposed by a smelter in the United States in order to obtain the lead within the shipment of ore.

I am none too familiar with the prices charged for smelting ores in the western country. But as nearly as I can understand the price is not less than \$8 per ton for the least refractory ores, and ranges on up to higher prices, according to what other foreign substances may be associated with the particular shipment of lead ore. In other words, as other foreign ingredients are associated in the lead ore, the cost of smelting may be higher or lower, but is in no event less than \$8 a ton, and in some very refractory ores the cost of treatment is perhaps \$12 to \$16 a ton.

The result would be on that theory that there would be deducted from, say, 15 per cent ore—which means 300 pounds of lead to the ton—first, the price in New York; next, the freight from El Paso to New York; next, the approximate cost of smelting. We can readily agree that perhaps a cent a pound would more than cover the freight rates from El Paso to New York. But add the treatment charge, and when you have concluded it you will find that the 15 per cent ore would enter the customhouses of the country without any duty at all. Why? Because 300 pounds of lead ore (assuming that the entire amount could be recovered upon the smelting treatment) would be worth only \$4 a hundred at the very best in El Paso, as though it were pig lead. That would be \$12 as the gross value of the product, and from that would be deducted a smelting charge of from \$8 to \$12 a ton. The result would be that 15 per cent ore could be offered at the ports of entry along our Mexican frontier, and would be entitled to admission under this bill, without paying any duty.

The point I have made here has been more or less discussed by the Treasury Department in connection with importations, especially under the McKinley Act, and decision 11,044 discusses this very proposition very carefully. Of course you will understand that under the McKinley Act of October 1, 1890, there were admitted free of duty ores that contained silver wherein the silver was the chief item of value. They were admitted free. If lead was the chief item of value, then the import entry was dutiable at the rate of \$30 a ton. So the customs officers, in undertaking to determine which had the greater value—lead or silver—authorized the deduction, first, of the freight rate from El Paso to New York, and, next, of the smelter charge, so that the allowance then made was $1\frac{1}{2}$ cents a pound on the value of the ore. So if this proposition should come up again, I say the value of the lead ore offered for import must be determined by the returns that could be received from the lead within it, and as to 15 per cent ore there would be no duty.

Senator HEYBURN. If you have those decisions, or a reference to them, this is a very apt place to insert them in the record.

Mr. ROZIER. The decision is No. 11044.

Senator HEYBURN. There are two other decisions. Have you those?

Mr. ROZIER. I have not them just now.

The CHAIRMAN. I think they ought to be inserted in the record.

Senator HEYBURN. Yes; at this place.

(The dates and numbers of the three Treasury decisions above referred to were subsequently furnished for insertion in the record, and are as follows: July 18, 1889, No. 9492; April 10, 1891, No. 11042; July 16, 1891, No. 11464.)

Senator McCUMBER. You assume that there will be no duty, because, after deducting all these charges, there will be no value? Is that it?

Mr. ROZIER. No lead value in the ores.

Senator McCUMBER. If there would be no lead value in them after deducting this, they would not be imported, would they?

Mr. ROZIER. Yes; they would be imported.

Senator McCUMBER. I am speaking now of 15 per cent lead ores.

Mr. ROZIER. I will come to that point now.

It was suggested by the witness who immediately preceded me that, especially in the ores of Idaho, and all the silicious ores, perhaps bearing gold or silver, in order to smelt them there has to be used a lead flux of what is called a wet ore. In other words, in smelting dry silicious ores there has to be used a flux, and the most valuable and economical flux is a wet lead-ore flux. So there would be repeated importations, and to-day it is a matter of constant practice to import from Mexico wet lead ores for smelting purposes in treating dry silicious ores.

It is true that at present we are authorized to and do import a very large quantity of lead ore from Mexico in bond, under the provisions of section 24 of the Payne tariff law, which permits the importation into the United States in bond of lead ores of any character or any percentage of richness. They are brought to smelters, and upon their importation bond is given that they will be reexported. The lead contents, after having been taken out by the smelting process, are exported usually in the form of pig lead, and the bond given at the time of their import is thereupon canceled.

Senator McCUMBER. Do all of these lead ores from Mexico bear other valuable ingredients?

Mr. ROZIER. Many of them do. They mostly carry silver.

Senator HEYBURN. The fraud that was disclosed under that bill was that they would so mix the ores, before exporting them to this country, as to take them entirely outside of the range of the schedule, by putting high-grade silver ores with them, so that they would be silver ore and not lead ore. We had a fight over that question in which I participated.

Mr. ROZIER. Yes. In other words, Senator, answering your question, along the Mexican border there began to be established sampling establishments, where they would take the ore from different mines and grade it up, especially as to the ore that had its leading content or greater value in silver. They would take a lead ore, and they would add a valuable silver ore to it, so that the mass as mixed would have a greater silver value than a lead value, and it was brought in free. So that even now this same thing could be done, under the present provisions of the Underwood bill, by so mixing the contents or so reduc-

ing the percentage that if (as my suggestion was made just now) 15 per cent lead ore could be brought into the United States without any duty at all being imposed, they could sample rich ores down to that percentage—in other words, by the admixture of a nonvaluable product.

Senator McCUMBER. Does the Underwood bill provide for any ores being admitted free?

Mr. ROZIER. No; for the reason that the Underwood bill, as presented—that is, House bill 18642—undertakes to deal only with Schedule C. It is an amendment to Schedule C of the Payne tariff law, and leaves unchanged, as vital law, the provisions of section 24 of the Payne tariff law.

Senator McCUMBER. But what I wanted to do was to follow out and to obtain as nearly as I could your line of reasoning when you asserted that without any attempted fraud on the country, lead ores bearing, say, 15 per cent or less of lead, without reference to their bearing anything else, might, under previous constructions of the law, be imported free into this country.

Mr. ROZIER. Yes, sir.

Senator McCUMBER. Because, as I understood the line of your argument, the cost of freight and smelting would be so great that they would have practically no value?

Mr. ROZIER. That is true.

Senator McCUMBER. It occurred to me that that would be met with the declaration that if they had no value they could not afford to be imported, and hence there would be no danger along that line.

Mr. ROZIER. But they would be imported from the necessities of smelters, which would want the lead equivalent of the wet ore to intermix with the dry silicious ores for smelting purposes. In other words, not having lead ore, the smelter would have to get it at some expense; so that it could afford, perhaps, to pay the freight on ore that produced only \$12 in value of lead. It could afford to pay that, because otherwise it might have to send farther and pay a higher price.

Senator WILLIAMS. Did you read carefully this proviso in clause 51, beginning on line 12?

Mr. ROZIER. Yes, sir. That is an exact copy of the proviso that has appeared in the Payne Tariff Act, I think in the Wilson bill, and in the McKinley law.

Senator HEYBURN. That is the one the difficulty was over, is it not?

Mr. ROZIER. Yes, sir.

Senator HEYBURN. That is the proviso that caused the difficulty, and under which the decisions were rendered. They used to mix wet and dry ores, so as to avoid the duty, under that clause.

Senator WILLIAMS. But were these decisions rendered under this clause? Were they not rendered under different clauses? And was not the object of the decisions to ascertain whether the silver or the lead prevailed in the particular ore?

Mr. ROZIER. Why, certainly, Senator.

Senator WILLIAMS. Has a decision ever been rendered on this clause?

Mr. ROZIER. But the principle laid down was that the value of the lead had to be determined on its own merits; that the value of the lead was determined in a particular manner, by taking the New York price, deducting the freight charge, and deducting the ordinary cost

of being reduced into pig lead. The decision does not specifically mention smelter charges.

Senator WILLIAMS. The object was to find which was the predominant value?

Mr. ROZIER. That was the original purpose; but the principle laid down—

Senator WILLIAMS. I will read the proviso to you:

Provided, That on all importations of lead-bearing ores the duties shall be estimated at the port of entry, and a bond given in double the amount of such estimated duties for the transportation of the ores by common carriers bonded for the transportation of appraised or unappraised merchandise to properly equipped sampling or smelting establishments, whether designated as "bonded warehouses" or otherwise. On the arrival of the ores at such establishments they shall be sampled according to commercial methods under the supervision of Government officers, who shall be stationed at such establishments and who shall submit the samples thus obtained to a Government assayer, designated by the Secretary of the Treasury, who shall make a proper assay of the sample and report the result to the proper customs officers, and the import entries shall be liquidated thereon, except in case of ores that shall be removed to a bonded warehouse to be refined for exportation as provided by law. And the Secretary of the Treasury is authorized to make all necessary regulations to enforce the provisions of this paragraph.

Mr. ROZIER. Senator, if my opinion is of any value in that matter, I will give it. The duty is an *ad valorem* duty. That duty must be upon the market value of a product at the port of entry.

Senator WILLIAMS. That is the first estimated duty; but that does not fix the duty. It is simply an estimate at the port of entry. Does not this proviso go on to say that they are to be sent then, under this bond, to these establishments where they are sampled, and then they are to be submitted to a Government assayer, and upon his report the duty is to be estimated and paid; or, to use the language of the act, they "shall be liquidated thereon?"

Mr. ROZIER. Yes; but, Senator, if you will read the provision as applied to a specific duty, you will see that the provision is the same, and this is only a method of determining the quantity of lead that is therein. There ought to be no occasion, in assessing an *ad valorem* duty, to determine the assay contents, if you can reach its market value.

Senator WILLIAMS. But does not this bill provide that very thing?

Mr. ROZIER. I do not so understand at all. I understand that the bill provides for an *ad valorem* duty on the market value of the goods at the port of entry.

Senator WILLIAMS. But it does not say so. It says:

Lead-bearing ore of all kinds, and lead dross, twenty-five per centum *ad valorem* upon the lead contained therein.

Mr. ROZIER. Yes.

Senator WILLIAMS. Then follows this proviso, prescribing how we shall arrive at the amount of lead contained therein. It says that upon the report of the assayer, at these establishments to which it is sent by common carrier under bond of double the amount of the estimate at the port of entry, the real amount of lead is discovered, and the import duty shall be liquidated thereon.

Senator CLARK. According to the value at the port of entry.

Senator LODGE. The duty is assessed on the value of the lead content, of course. It can not be assessed in any other way.

Mr. ROZIER. No, sir; but this provision applies to a specific duty on the quantity of lead. I think, Senator, if you will reason the matter

out, you will see that that provision is only for the purpose of ascertaining the number of pounds of lead that are in the shipment—not its value; and there is not one word said in the latter part of it as to the value of the lead content. It is entirely its quantity. So that is one reason why it was taken from the previous act, without distinguishing that it was not contents that you wanted; it was value.

Senator WILLIAMS. At each of these places where the lead would be sent, there would be a market price for lead on that day; would there not?

Mr. ROZIER. Under the present decisions, it is fixed at New York.

Senator WILLIAMS. But at smelting establishments located elsewhere than in New York, the value of lead, not only in New York, but there, is known; is it not?

Mr. ROZIER. Yes, sir; that is true. But it is known only after the ore has been smelted, and after they have furnished their own figures of what its value was, and after deducting what they have determined to be the proper smelting charge.

Senator WILLIAMS. Under the Dingley bill or under the Payne bill, did any lead have its value determined in the way you have indicated, except where the purpose was to ascertain which ore predominated?

Mr. ROZIER. That is the only purpose, as I understand.

I want to call your attention, in connection with this matter of importation under bond, to the fact that the figures given me by the department show that in the fiscal year ending June 30, 1911, there were imported in bond and thereafter exported 99,000 tons and some odd hundred pounds of lead. That is, it was imported as ore, and smelted by the smelters under the bonds given, and thereafter exported from the United States. So I desire to call the committee's attention to this proposition: That if the duty is lowered as proposed, we shall have at least 99,000 tons of lead (about one-fourth of the ordinary total production of the United States) that will be brought into the United States; and if you lower the duty very greatly, the men who have smelted this ore into pig lead will find it more profitable to market it here in the United States than to pay freight and ship it out of the country.

So we would almost certainly have, upon the adoption of this law, about 100,000 tons of pig lead, under ordinary conditions, dumped upon our market immediately; because at present, at the expense of railroad charges, they have to ship it abroad and take a lower price in the foreign market.

Now, Mr. Chairman, I desire to devote just a little time to the lead industry of southeast Missouri. You have been entertained by a description of mining in Idaho. I shall speak more especially of southeast Missouri, and particularly of the county of St. Francois therein. I will not undertake to follow the history of lead ore in southeast Missouri, except to say that early discoveries of surface lead—galena—were found in St. Francois, Jefferson, Washington, and Madison Counties 150 years ago, and some primitive mining was then engaged in in that enterprise. The mining of galena ore was pursued for perhaps 100 years. Of course, that involved what I spoke of a moment ago, a pick and shovel proposition, finding the galena ore running about 85 to 90 per cent of pure lead at the grass roots. But of course that enterprise soon played out. It does exist in a small

way in some of the adjoining counties, so that Jefferson County, for instance, produces 400 or 500 tons of lead now, Washington County 120 tons, Madison County perhaps a little smaller portion, and Crawford, a county I omitted, perhaps some 100 or 200 tons. But that is all the mining that is done in galena ore.

In about 1867 in St. Francois County was first begun the mining of what we know as disseminated lead ore. The form in which that ore is found may be a little bit interesting to this committee. It is usually found about 300 to 600 feet under the surface. The ordinary method of locating the lead is by the use of diamond drills, that are put upon a supposed lead property boring down and carrying a small core an inch and a quarter in diameter, which presents a fair view of the ground and the rock as it progresses.

To carry this matter a step further, the lead industry has been carried on there for about 40 years, a gradually increasing proposition. Senator Williams especially commented upon the fact of the large increase of production. I may say that my county of St. Francois has furnished in the last 15 years the entire increase. We have increased some 50,000 tons in production in the past 10 years. But going just a step further, our lead is found disseminated with limestone rock. It is found in what might be called pool formation, the pools varying in extent, perhaps from one the size of this room, with a thickness of 3, 4, 10, or 12 feet, to acres. That is, the pools may be found almost anywhere, and of varying width, length, and thickness. They also vary in the richness of the lead ore. Understand, gentlemen, we have there nothing but lead; that is the only value there.

Senator HEYBURN. These holes fill up with limestone?

Mr. ROZIER. They seem to; and they do it in violation, apparently, of geological laws. I do not think I have ever heard of a geologist coming down in our section of the country who did not say they violated all the traditional laws of lead ore. That ore varies, as mined, from, I should say, 4 per cent in richness—4 per cent of lead—to perhaps 12 or 13 per cent. But the mine run for more than 30 years proves that the average ore milled and smelted would have a lead content of not exceeding $4\frac{1}{2}$ per cent. In other words, from each ton of ore mined at these varying depths of 300 to 700 feet, we get about 90 pounds of lead, worth, of course, varying prices. While I am on that question I would like to say that the market for our lead is made at East St. Louis; that the price in reality is controlled by the New York market; less than 15 cents a hundred pounds for the carrying. So that in handling the lead ore we have an average price of \$3.60 to \$4.50 for taking from the bowels of the earth 300, 400, or 500 feet, a ton of material.

The ordinary method of treating that is by concentrating mills, by which the ore, the limestone, and lead are crushed first in blade crushers, thereafter passed over steel rolls and crushed, leaving the largest diameter perhaps the equivalent of that of a pea. This product is then passed over jigs, which are somewhat like tables, but they have a double motion, by which the ore and the water are intermixed and shaken, and by the force of gravity, the lead being the heavier, the product is to some extent separated from the rock and the finest particles are passed over. Some of this same product is treated by passing over tables by which, with the action of water

and the movement of the table, the fine particles of the lead are drawn off on one side, and of course the waste materials pass over the other. Having that concentrated product, which usually averages about 40 per cent of lead content to the concentration, the next process is the roasting of that ore to drive off sulphur, and perhaps some of the rock that still adheres to particles of lead. The roasted or concentrated product usually ranges 60 to 70 per cent in lead content. Thereafter the lead mat, as it may be called, is treated in a reverberatory furnace, and pig lead is thereby produced. In my county we take the operation from its origin of finding the ore, mining it, concentrating it, smelting it in our own smelters, and thereafter putting it upon the market, either at East St. Louis or by shipment, of course, to those who have purchased the product.

In a general way I think I have covered substantially the *modus operandi* of the operation there. We are producing, as I have said, a gradually increasing product. That fact is due to the addition of new mines in this district, new companies having come in, and that some of the older companies have enlarged their holdings. In a general way I may add that we have only five principal companies at present in St. Francois County. Each company has gradually enlarged its mining operations by opening new shafts, and you might say really operating three, four, five, seven, or eight mines under one head. The history of the district is that this enterprise can be carried on only by a tremendous investment of capital, in the erection of concentrating mills and other appliances, because of the low grade of ore; it can not be cheaply handled by small mills.

Senator HEYBURN. What do you mean by a large capital? Give us some idea of the figures.

Mr. ROZIER. I was going to say that the mills that have started in a small way, having a capacity of 200, 300, and 400 tons of ore a day, with a capacity to crush and treat 400 tons of ore a day, have not been able to exist, and it is found that the companies who can subsist are those that produce not less than 1,500 tons of ore each 24 hours.

Senator HEYBURN. What investment does such a mill represent?

Mr. ROZIER. I will give as nearly as I can an approximate statement. To begin with, an ordinary shaft equipped with pumping devices with the necessary cages and hoists costs from \$65,000 to \$70,000. That is for one shaft. Some of the companies there have from 12 to 15 shafts. The next cost would be of a concentrating mill, which varies from about \$700,000, for a 1,500-ton mill, up to perhaps \$1,800,000 for one which can treat 3,000 tons of ore. So that we are compelled, as I say, to handle a very large product with the most improved machinery. To give the committee some idea of the character of the machinery, all of our hoists are electrically operated; all of the cars used underneath the ground are drawn by compressed-air locomotives; the mills, with one or two exceptions, are electrically operated. We have gas furnaces, though, that have been installed in that community. Everything has been done with the idea of making a great amount of production at the very lowest cost. I want to say to the committee in entire fairness, the cost of lead, as nearly as it can be determined from the average of these mines, is \$3.60 per 100, without any charge for taxes or dividends or anything of that kind.

Senator HEYBURN. Or interest on investment?

Mr. ROZIER. Or interest on investment.

Senator McCUMBER. That is, labor cost?

Mr. ROZIER. Perhaps you could properly say it was labor cost, if we should include the cost of coal and of all the necessary devices. For instance, we have to get scrap iron to use as a flux in the refining of this lead. We use all of those ingredients to go into the manufacture of lead.

Senator McCUMBER. Do you include depreciation in your value, the machinery, etc.?

Mr. ROZIER. I do not think so. I would not like to say that is true, but I am almost certain that is not included in this \$3.60 price. I think that includes simply the expense of operation. Of course, now, that may ultimately be included, or there may be a sum carried for the construction of new machinery, but I am inclined to think this price is the absolute cost, without any return for capital or for reinvestment.

In going a step further I will say to the committee that the acreage held by those five companies is considerable; perhaps 45,000 acres are held by them. Just what quantity of it is still lead-bearing, or still contains mines of sufficient value to work, I am unable to say. But I can speak of some of the companies there, one in particular, that has been mining some 44 years, since 1867, that in a general way has paid 6 per cent dividends to its stockholders during that entire period. I may also admit that the capital has perhaps on two occasions been increased by voluntary donation to the stockholders of the additional capital. But for the past 10 years there has been no company in the district that has increased its capital excepting by the addition of money. I was with one of the companies there that involved a very large outlay of money, approaching \$12,000,000 before a dollar was ever earned by the company.

Senator McCUMBER. Suppose that capital were employed in the purchase of new machinery and everything new to-day—that every dollar went into the enterprise. Then you might state to the committee whether or not, under the present prices, the investor would receive an exorbitant interest upon his investment, or whether he would receive any, or how much he would receive.

Mr. ROZIER. I would say, under the most favorable management and best conditions a man who was starting and investing the market value of the property could not receive more than 6 to 8 per cent return on the capital invested; and with that he would carry a risk both of markets and of the extent and resources of his property, because there is no absolute assurance that the acreage that he may have will continue to produce.

Senator McCUMBER. And for that reason there would hardly be any new investors, would there?

Mr. ROZIER. I would not think so.

Senator WILLIAMS. Do you know the amount of the voluntary appropriations of stock to the stockholders?

Mr. ROZIER. I say, I think, Senator, this one company, beginning in 1867, has perhaps increased its capital stock three or four fold; but there has been no addition in that way for more than 10 years—a little more than 10 years.

Senator WILLIAMS. Prior to that 10 years they increased it, you think, three or four fold?

Mr. ROZIER. Yes; I would say from 1867. That is, only the one company.

Senator WILLIAMS. While they have been declaring 6 per cent dividends?

Mr. ROZIER. That is true. The early investors made a good fair profit, but the later investors have not, and this applies, as I stated to you, to only one company, the oldest one in the district.

Senator McCUMBER. That would be three or four fold the original capital stock. That is how you mean to be understood?

Mr. ROZIER. That is, the capital has been trebled in 44 years at no expense to the stockholders.

Senator WILLIAMS. That would be 18 per cent, would it not?

Mr. ROZIER. I will have to figure that.

Senator WILLIAMS. Six per cent on three times "x" is equal to 18 per cent on "x"?

Mr. ROZIER. That perhaps is true of the ordinary investment; but I would say that in my own experience in Missouri a man investing in farming lands who had not made that increase of value would not be very well satisfied with his gain.

Senator HEYBURN. A man investing in farming lands has his farm left after he has paid his dividends; but a man investing in a mine has nothing left after he has paid his dividends, because he has paid them out of his property?

Mr. ROZIER. Yes, sir.

Senator WILLIAMS. A farm might yield a profit because of appreciation in the value of the land?

Mr. ROZIER. Perhaps that is true.

Senator WILLIAMS. Has that appreciation taken place in the value of lead?

Mr. ROZIER. No, sir.

Senator WILLIAMS. Is it not, in fact, cheaper?

Mr. ROZIER. It is cheaper.

Senator WILLIAMS. So it has not been owing to the appreciation in lead?

Mr. ROZIER. Before I close, and I shall be through in just a few moments, I want to discuss just a little conditions in St. Francois County as applied to the people who are dependent on this industry. Of course, gradually growing each year, the population of the county has kept pace with the development of the mining industry. St. Francois County is not a good farming county. About one-half of the county might be called good farming land—good, average Missouri farming land. The mining property is not farming land at all. Where the mines are located is almost of no value for farming purposes. There are employed in this industry about between 6,000 and 7,000 men. If I add those employed in the smelters—two of the smelters being located some little distance off—I would say that about 7,000 men obtain their entire subsistence by their employment in the mining industries of St. Francois County. In addition to that, of course, there would be a very considerable number of these people whose entire dependence is upon this industry. I could illustrate this matter perhaps better by calling the attention of the committee to the towns located where the mines are: Bonne Terre, a town having about 3,500 population; Flat River, having about 6,000; Desloge, having a population of 3,500; Leadwood, with about 3,000; Elvins, with about 3,500; Boe Run, with about 2,000; and

the town of St. Francois, with about 2,000 people. I may say to this committee with entire candor that were these mines not in existence, or had they not been started there would not have been a population of 500 people over this acreage; and yet there is a population of almost 35,000, who are entirely dependent on the lead industry; as though they were in a desert with nothing but the visible supply of food and water that they might have at hand.

Senator CLARK. What is your wage scale; have you any figures on that?

Mr. ROZIER. The wage scale is contained in the statement I have submitted.

Senator CLARK. I would like to get it in the record.

Mr. ROZIER. I was going to offer this.

Senator CLARK. Then that is all right.

Mr. ROZIER. The wage scale in St. Francois County, as compared with the Idaho district, is low. I do not know that I could offer any exact explanation other than the fact that Missouri is a more thickly populated State and the miners in our section have been largely recruited from the farming population in adjoining counties. Much has been said about the foreign and native population working in the mines. About 65 per cent, as nearly as I could estimate, are strictly American-born people working there. Perhaps 10 to 15 per cent are of English, Irish, and German birth.

Senator WILLIAMS. You have a good many Welsh?

Mr. ROZIER. No, not many. We have some, but not a very large number. I would estimate that we have employed, in the most servile employment connected with our industry, about 20 per cent of Galicians, either Greeks or Austrians—I say Galicians; also people from south Russia. There seems to have come quite a number of these men, the American laborers not desiring to do the shoveling work but wanting rather to be employed as either a foreman or back-hand in the mine.

Senator McCUMBER. Have you any colored labor?

Mr. ROZIER. We have a peculiar condition in all of the towns I have mentioned except one. No colored man is permitted to stay.

Senator McCUMBER. He is not counted as an American?

Mr. ROZIER. The county is about an even break, sometimes Republican and sometimes Democratic—

Senator WILLIAMS. That situation does not exist except there and in some towns in Illinois and Indiana, does it?

Mr. ROZIER. Yes; and some lower counties of southeast Missouri, in Dunklin County, and perhaps Stoddard and Pemiscot. In many of those St. Francois County towns a negro is only permitted to pass through; he is not permitted to stop.

Senator McCUMBER. Is that by law?

Mr. ROZIER. Simply local conditions. The people make it a little warm for a colored man who lights there.

Senator McCUMBER. They make the law themselves there on the subject?

Mr. ROZIER. Oh, yes; that is no law at all; Missouri has no such law.

Senator HEYBURN. You would perhaps better offer this in the record, before we overlook it.

The document referred to is as follows:

Statement of prevailing tariffs on lead, United States production and consumption, prices at New York and London, and wages paid in Missouri from 1870 to 1911; also duties collected on lead and manufactures of lead from 1884 to 1911.¹

[Act of June 30, 1864: Pigs and bars, 2 cents per pound; sheet, etc., 2.75 cents per pound. Reduced 10 per cent in 1872, but this reduction was repealed in 1875.]²

Years.	United States production.	United States consumption.	Duties collected on imports.	Price (cents per pound).		Wages paid in Missouri.	
				New York.	London.	Drillers.	Back-hands.
	<i>Short tons.</i>	<i>Short tons.</i>					
1870.....	17,830	60,778		6.25	4.05	\$1.75	\$1.50
1871.....	25,000	70,748		6.08	3.95	1.75	1.50
1872.....	38,690	75,232		6.30	4.24	1.75	1.50
1873.....	51,864	86,076		6.32	5.06	1.75	1.50
1874.....	59,428	82,531		6.01	4.80	1.75	1.50
1875.....	61,648	78,033		5.85	4.88	1.75	1.50
1876.....	67,088	74,253		6.13	4.70	1.75	1.50
1877.....	81,900	89,192		5.49	4.46	1.75	1.50
1878.....	91,060	94,418		3.61	3.63	1.50	1.10
1879.....	92,780	93,388		4.14	3.22	1.20	1.00
1880.....	97,825	101,187		5.04	3.56	1.25	1.10
1881.....	117,085	119,246		4.81	3.25	1.25	1.10
1882.....	132,890	135,930		4.91	3.13	1.25	1.10
1883.....	143,957	145,976		4.32	2.81	1.25	1.10

[Act of Mar. 3, 1883: Pigs and bars, 2 cents per pound; ore and dross, 1.5 cents per pound; sheet, etc., 3 cents per pound. Under this act ore classed as silver ore, but containing lead, was admitted free.]

1884.....	139,897	141,433	\$66,015.84	3.74	2.59	\$1.50	\$1.25
1885.....	129,412	132,343	147,186.01	3.95	2.51	1.35	1.10
1886.....	135,620	144,420	221,947.57	4.63	2.87	1.60	1.15
1887.....	145,212	149,070	236,617.78	4.50	2.80	1.60	1.15
1888.....	151,919	153,210	146,510.25	4.42	3.02	1.50	1.15
1889.....	157,397	158,784	57,757.11	3.93	2.84	1.60	1.15

[McKinley Act, Oct. 1, 1890: Pigs and bars, 2 cents per pound; all ore, 1.5 cents per pound; sheet, etc., 2.5 cents per pound.]

1890.....	142,065	151,733	\$52,896.08	4.48	2.91	1.60	1.25
1891.....	178,554	180,250	832,364.82	4.35	2.70	1.60	1.25
1892.....	181,000	181,775	814,321.64	4.09	2.34	1.60	1.25
1893.....	163,982	165,962	979,905.42	3.73	2.07	{ 1.40 1.50	1.15 1.25

[Wilson Act, Aug. 27, 1894: Pigs and bars, 1 cent per pound; all ore, $\frac{1}{2}$ cent per pound; sheet, etc., $1\frac{1}{2}$ cents per pound. Manufactures of, not specially provided for, 35 per cent.]

1894.....	162,686	182,270	\$644,099.83	3.29	2.05	\$1.25	\$1.00
1895.....	170,000	224,775	1,180,374.89	3.23	2.34	{ 1.15 1.25	.90 1.00
1896.....	188,000	193,275	988,427.10	2.98	2.43	{ 1.25 1.35	1.00 1.10
1897.....	211,000	219,025	368,559.73	3.58	2.64	{ 1.45	1.20

¹ Figures taken from reports of Bureau of Statistics.

² A duty of 1 cent per pound was placed on bar and other lead on Aug. 10, 1789. The act of July 1, 1812, a war measure, increased this duty, with others, 100 per cent. From 1815 to 1824 the duty was 1 cent per pound, from 1824 to 1828 it was 2 cents per pound, from 1828 to 1846 it was 3 cents per pound, from 1846 to 1857 it was 20 per cent ad valorem, and from 1857 to 1861 it was 15 per cent ad valorem. The act of Mar. 2, 1861, increased the duty to 1 cent per pound, and the act of Aug. 5, 1861, again increased it to 1.5 cents per pound. This was followed by the act of June 30, 1864, referred to above.

³ Day's work increased to 10 hours.

584 DUTIES ON METALS AND MANUFACTURES OF METALS.

Statement of prevailing tariffs on lead, United States production and consumption, prices at New York and London, and wages paid in Missouri from 1870 to 1911; also duties collected on lead and manufactures of lead from 1884 to 1911—Continued.

[Dingley Act, July 24, 1897: Pigs, bars, and base bullion, 2½ cents per pound; all ore, 1.5 cents per pound; sheet, etc., 2.5 cents per pound. Manufactures of not specially provided for, 45 per cent.]

Years.	United States production.	United States consumption.	Duties collected on imports.	Price (cents per pound).		Wages paid in Missouri.	
				New York.	London.	Drillers.	Back-hands.
	<i>Short tons.</i>	<i>Short tons.</i>					
1898.....	228,475	228,681	\$413,288.50	3.78	2.82	\$1.45	\$1.20
1899.....	217,085	218,821	195,362.21	4.47	3.22	1.60	1.30
1900.....	279,107	280,944	303,238.19	4.37	3.69	1.60	1.30
1901.....	279,922	281,724	320,509.78	4.33	2.72	1.60	1.30
1902.....	275,000	281,222	439,722.08	4.07	2.45	1.60	1.30
1903.....	282,402	286,888	735,694.79	4.24	2.51	1.80	1.50
1904.....	307,204	315,871	814,466.83	4.31	2.60	1.90	1.60
1905.....	319,744	325,401	469,277.03	4.71	2.98	1.90	1.60
1906.....	355,309	366,999	1,542,313.50	5.66	3.77	1.90	1.60
1907.....	352,237	361,459	962,235.09	5.33	3.15	2.00	1.70
						2.25	1.95

[Payne Act, August 5, 1909; duties practically as above.]

1908.....	314,067		\$270,333.96	4.20	2.91	\$2.25	\$1.95
1909.....	358,947		594,504.61	4.27	2.83	2.25	1.95
1910.....	370,629		668,087.45	4.44	2.80	2.25	1.95
1911.....	402,281		605,234.10	4.42		2.25	1.95

¹ The statistics given here are taken from the carefully prepared tables in the recent work on lead and zinc in the United States, by W. R. Ingalls. Hill Pub. Co., 1908. See pp. 200-205.

Production, southeast Missouri:	Tons.
1909.....	126,784
1910.....	145,387
1911.....	153,915
Production, southwest Missouri:	
1909.....	20,489
1910.....	20,729
1911.....	25,996

Respectfully submitted to the Finance Committee on behalf of Missouri lead producers.

EDWARD A. ROZIER,
Farmington, Mo.

Mr. ROZIER. I would like to add just a few remarks on St. Francois County. I would like to have this committee impressed, as I believe I am, with the absolute necessity of retaining substantially, or at least approximately, the duty laid by the Payne tariff law on lead. I believe any lower duty would mean the absolute closing of the mines in St. Francois County, or an invitation to the laboring people to work at starvation wages. I have depicted conditions there, where there is no especially favorably situated mine. There is no mine there whose output exceeds in metallic contents the amount I named, of 4½ to 5 per cent. So that all the mines operated there are under almost identical conditions, so that what affects one will affect all, and I frankly believe that a reduction in the price of lead in the St. Louis markets, or in New York, if you please, would mean either the reduction so materially in the price of labor there that they would be on a starvation basis, or it would mean the entire closing down of that

district. We are producing to-day 153,000 tons, almost 40 per cent of the present production of the United States. I do say that the imposition of a lower tariff means the closing down of that district, and it means the absolute turning at large of about 7,000 men who earn at least a moderate living in that employment to-day. Of course I do not think I need to discuss with the members of this committee any further the proposition that when one industry is closed down, and the laboring men who obtained a living in that enterprise before are turned adrift, they become competitors in every form of labor industry in the country, and that perhaps the turning adrift of fully 20,000 people who now earn a livelihood, a good, fair livelihood, in the lead industry, if they are compelled to go out and compete with other wage earners, would mean the greatest harm to the whole people of the country, disturbing conditions in every market and in every industry of the United States.

Senator HEYBURN. What is the labor item of the lead producers of Missouri? You have given it for a county.

Mr. ROZIER. I would say very frankly, gentlemen, that I do not know very much of other conditions. I do know that in Madison County, the county below us, where they have attempted to operate with the same character of labor, they have not been very successful; and the wages, if anything, are a trifle lower. In the Joplin district, with perhaps about 25,000 tons of lead, they are much more interested in zinc—that is, lead is found as an accompaniment of zinc. Whether it be the by-product or zinc be the by-product depends on the mine. In some mines the lead is the greater value; in others the zinc. They pay a slightly higher labor wage than we do in my country. I can only explain this, perhaps, by saying that conditions there are a little more favorable for independent operation.

Senator HEYBURN. My question was directed at the number of miners employed. I thought you had already quoted it.

Mr. ROZIER. I gave 7,000 as in my country.

Senator HEYBURN. How about the State?

Mr. ROZIER. I would have to only estimate that. I would suppose a little in excess of double that amount; perhaps 16,000 employed in lead and zinc. I guess it would be higher in the whole zinc trade, but in the lead approaching 15,000 to 16,000, perhaps.

Senator McCUMBER. You say you employ a great many men from the farm?

Mr. ROZIER. Yes, sir.

Senator McCUMBER. I assume, then, that the price of labor in the mines is considerably greater than the price of labor on the farm?

Mr. ROZIER. Yes, sir.

Senator McCUMBER. Does it require more intelligent men to do the work in the mines than it does to do ordinary farm work?

Mr. ROZIER. No; we do not apparently require the high class of miners that is employed in the Idaho district. The miners, however, are men of fair intelligence, and they get a very considerably higher rate of pay in the mines than they would upon the farms, and that is the reason why they have been largely recruited from the farms.

Senator HEYBURN. We get some of our best men from your mines.

Senator McCUMBER. That is just what I am trying to get at. In all of the evidence that is before us we assume that the labor in these

manufactures must be sustained at a very much higher rate than the average labor of the country, notwithstanding the fact that the labor is not any more intelligent than that used elsewhere, and I would like to have some witness give a good, substantial reason why the labor in your mines should be superior, why you should pay higher prices than for equally intelligent labor upon the farm, and why we should maintain a system, and I am seeking information only, that forces a very much higher wage in one line than would be required in other lines of equally intelligent employment?

Mr. ROZIER. One reason, perhaps, is a very easy one to suggest—that is, the men are working under ground; they go into the bowels of the earth; they work in damp environments.

Senator McCUMBER. Then it is a harder labor, a more hazardous labor?

Mr. ROZIER. I was going to add there is a great risk of loss of life. While we have been rather fortunate in our county, there is continued risk, continued danger, both to limb and to life.

Senator WILLIAMS. Working on a farm is a healthier, pleasanter life, is it not, than working in a factory or a mine?

Mr. ROZIER. Yes, indeed.

Senator WILLIAMS. But the majority of men wanting an increased wage go and do it.

Senator McCUMBER. How do the hours of labor on the farm compare with those in the mines?

Mr. ROZIER. I ought to have added here that our district is entirely upon an eight-hour basis.

Senator McCUMBER. And the average farm is on a 16-hour basis, is it not?

Mr. ROZIER. Sometimes it is longer than that.

Senator WILLIAMS. But the 16 hours is out in God's free air.

Mr. ROZIER. Senator Williams, if I had to make a choice I would go on the farm rather than work in the mine.

Senator McCUMBER. And put in a longer number of hours for less wages?

Mr. ROZIER. Yes, sir. Mr. Chairman, if you will indulge me just a moment further, and I suppose my remarks may apply more to the gentlemen on this side [referring to the Democratic side of the committee], I do not know whether the present Underwood schedule on lead is presented as a revenue measure or along nonproductive lines. At any rate, the figures furnished at page 65 of the report that lies before you—

Senator SIMMONS. You mean nonrevenue lines?

Mr. ROZIER. No; on other than protective lines, was what I intended to say. The figures of the estimate of imports under this law show that there will be a loss of revenue of \$100,000.

Senator WILLIAMS. Pardon me one minute, because otherwise my interruption would interfere with you later. I neglected to ask this before. I would like to have you put in, after you put in your labor schedule there, your rate of wages; put in, if you can, the total amount of money received from sales of lead in your county, and the total amount paid out to labor during 1910 and 1911, as far as you can.

Mr. ROZIER. I will have to be permitted to furnish that at a later date. I am not able to furnish those figures now.

Senator WILLIAMS. I want you to send it to the clerk so that it can be inserted, and I will ask him to insert it at this point.

Mr. ROZIER. Yes, sir. I merely wanted to emphasize the point that the rate in the Underwood bill, as applied to lead, would mean a loss of revenue of something over \$100,000. It has not accomplished any purpose of production, but it has accomplished a loss of revenue, if these figures be correct.

Senator SIMMONS. You say it has not accomplished any purpose. Would not the price of lead in this country be a little lower?

Mr. ROZIER. I have no doubt it would, at the expense of all the labor that is engaged in it now. I realize that, and that is one reason why I am appearing here.

Senator SIMMONS. The consumer would get it a little bit cheaper, you think, in this country, but the Treasury would not get quite as much revenue?

Mr. ROZIER. Would you care to go back to 1897, and repeat the experience of low prices and other general conditions?

Senator HEYBURN. When there were no consumers to speak of.

Senator SIMMONS. I simply wanted to draw out the fact; you said it would accomplish no good. For the consumer to get lead a little cheaper than he gets it now would be accomplishing some good, would it not?

Mr. ROZIER. I spoke of it from the standpoint of the Government. But as regards the consumer, I say I would not want to point to any greater object lesson than the low prices of 1895 and 1896. I think we had an experience there that ought to answer for some time to come on the matter of lowering prices. I thank you, gentlemen.

Senator HEYBURN. Mr. Chairman, on yesterday, when I introduced two tables, the letter of the Director of the Census had become separated from them, and I will hand that to the reporter now.

In closing this matter I want to introduce 64 letters which I have received from men engaged in nonproductive mines—that is to say, mines in the prospecting and developing stages—and ask to have the letters printed in the record.

The ACTING CHAIRMAN (Senator LODGE). They will be printed.

Senator HEYBURN. I desire also to introduce nine telegrams from the same class of people, the nonproductive miners who are in process of developing their mines. When I say the nonproductive miners I am speaking for \$32,105,866 of capital invested in the mines that will be productive, in the expectation of those who are developing them, and the wages paid in, which are \$1,302,542. Of course, they have no value of product. I merely wanted these items, in connection with the letters I am introducing, to show their purpose. Those are the mines in one county, the county in which I live in Idaho.

Senator McCUMBER. You say "nonproductive." I do not quite catch the meaning.

Senator HEYBURN. Nonproductive means mines in process of development that as yet have not reached the profitable stage, the producing stage. Those mines are not all owned by prospectors, but many of them are being supplied with funds from the producing mines; and I think there is evidence here at hand, if I had thought it necessary to go further, that would account for probably three-quarters of a million dollars of that money that is being put into the nonproductive mines by men right in this room.

Senator CLARK. Are most of these in active development?

Senator HEYBURN. They are. The Government has taken only the mines that are actually developing and getting ready to become producers. The producers pass gradually out of existence as producers, and they draw from the nonproducing mines to keep up the supply of production. That is, I believe, all we have to offer.

The CHAIRMAN. Mr. Callbreath wanted to be heard.

**STATEMENT OF MR. J. F. CALLBREATH, JR., OF DENVER, COLO.,
SECRETARY OF THE AMERICAN MINING CONGRESS.**

Mr. CALLBREATH. Mr. Chairman, I desire to call the attention of the committee to some of the facts upon which we base our belief that no reduction should be made in the present tariff duties upon argentiferous lead ores.

Under the stimulating effects of the Dingley Act large amounts of capital have been expended in searching for and developing lead-ore deposits of the Rocky Mountain States, in the building of expensive plants for treating the ores, and in the construction of railroads for their transportation to the markets. Thousands of men have been employed in prospecting, developing, mining, shipping, and treatment of these ores. A blow dealt to the lead-mining industry would not be confined to that industry alone. Large sums are spent for coal, timber, machinery, tools, explosives, agricultural products, and freight. The producers and their employees would therefore not alone be affected, but the coal miner, the manufacturers of machinery, tools, and explosives, and their employees; the farmer would lose his best market and many thousands of railroad employees would be forced into idleness if the lead industry should be destroyed. In Colorado alone it is estimated that a single railroad would lose \$400,000 annually in freights as a consequence of the destruction of this basic industry. The successful and economic recovery of gold and silver from silicious ores by the smelting process requires the use of lead-bearing ores. Without them the smelting cost of silicious ores would be so great as to prevent the mining of low-grade gold deposits, and in consequence the output of gold would be diminished. Prospecting for lead ores in the West has gone hand in hand with prospecting for the more precious metals; to discourage one is to retard the other. Between the first discovery of lead deposits and the marketing of the refined metal a long series of complex operations intervenes, many of which may be properly classed as manufacturing processes. (See Appendix A.) Deposits or ore are found only as a result of long, patient search. Their existence can not be ascertained in advance by any known scientific method. The developing of mines, even with the aid of unlimited capital, can not be carried beyond certain limits. At its best this work is expensive, tedious, and filled with hazards. We submit that the costs of prospecting and developing, even when fruitless and disappointing, are proper charges against the production of lead.

There are in the Rocky Mountain States many thousands of partially developed prospects (probably the number would run into hundreds of thousands) upon each of which from a few hundred to many thousands of dollars have been expended in the effort to discover workable ore deposits. It is unfortunate that the returns of

the last census are not available for use at this time. It is fair to assume, however, that the conditions are at least no better, if not much worse, than shown by the census statistics for the year 1902, the only year for which complete records are available. At page 542 of the Special Report of the Census Bureau on Mines and Quarries it is shown that there were that year but 447 of the argentiferous lead mines which marketed any product, and that of these 447 mines but 29 paid a dividend to the stockholders upon the production of that year. It is significant that these dividend-paying mines had a large tonnage, indicating expensive development, the average output of each of these mines for the year being approximately 38,000 tons of low-grade milling ores. The owners of the nondividend-paying properties believe, of course, that when sufficient developing work has been done their mines will be able to produce lead cheaply and economically; otherwise they would cease spending money in development. While it is to be noted that mining methods are constantly improving, statistics show that more than 60 per cent of the total expenditure in the production of the argentiferous lead ores of the United States is paid for labor. The claim is sometimes made by persons opposed to the tariff duty on lead and zinc that wages in the mining districts of the West are maintained at a wastefully high level, but we submit that mining work calls for skilled, experienced men; that the vocation is one of great hazard; and that, in comparison with wages paid for other classes of skilled labor throughout the country, the rate is not too high. It is generally believed that there is greater hazard in coal-mining operations than in metal mining because of the fact that the attention of the public is so frequently called to the great coal-mine disasters, yet statistics show that the loss per thousand men employed in the precious-metal mines is almost as great as in the coal mines. The lead producers of the country for whom I particularly speak are those who are engaged in the operation of low-grade argentiferous lead ores. It is not generally known that the general average of all the lead ores produced in the United States carries less than 8 per cent of lead contents. In the year 1902, for which the only complete statistics are available, the average content of all the lead ores produced in the United States was 7.9 per cent, or 158 pounds per ton of ore. The remaining portion of the ore gangue is worthless rock which must be gotten rid of, the bulk of it by the process of concentration and the remaining part by the more expensive process of smelting. The process of concentration requires the construction of expensive mills as near the mine as it is possible to find the necessary water supply.

With the higher grade ores, which do not require concentration, eliminated, the grade of the ore which is treated by the mills averages about 5 per cent of lead contents, or 100 pounds per ton. The highest efficiency is required to effect an average saving of 75 per cent of these values and in order to make a product satisfactory to the smelters who purchase the ore it is necessary to concentrate from 12 to 15 tons of ore into 1 ton of concentrates.

In lead zinc-bearing ores after the concentration process is carried out it is necessary to go through another process in order to separate the zinc from the lead or else pay a penalty to the lead smelter because of the excess of zinc which makes necessary a greater smelting cost. The lead smelting process saves the values of gold and silver in the

ores, but can not at the same time treat the zinc. Until very recently the occurrence of zinc with the lead-bearing ores was a great detriment to production. Under the stimulating effect of the Payne-Aldrich bill, the production of zinc in the mountain States has grown with marvelous rapidity. In the State of Colorado the production of zinc increased from 23,238 tons of spelter in 1910 to 42,233 tons in 1911. The greater part of this increase was made in Leadville, once a city of 40,000 inhabitants, but dwindled to a population of seven or eight thousand. If you members of this committee could go to Leadville and witness the change from the stagnation and dilapidation of three years ago to the business activity and prosperity and hope which now prevails, you would cut off your right hands before you would recommend a cut in the tariff duty which had made this marvelous change possible.

We urge that a raw product which requires two processes of manufacture before it is available for use is entitled to a double protection. The lead mines of Mexico, our present chief competitor, and of Spain, which would quickly become a competitor were our markets to be opened, are of very high grade, so rich as to require but one process before the ore is ready for market. If we are forced to compete with these high-grade lead mines, operated by cheap labor, it will be impossible to keep alive the lead industry of the West. Our miners receive an average of from \$3 to \$4 per day for 8 hours work. The Mexican miner receives from 26 to 78 cents per day for 12 hours work (see Appendices B, C, and D). That our American miners can not compete with the Mexican miners because of the difference of wages is obvious, even though the grade of ore was equally high, but with the much lower grade ores of the United States no argument is necessary to show that the low-grade lead mines of the Rocky Mountain States, paying \$3 to \$4 for the labor employed in the mine, can not compete with the high-grade mines of Mexico, paying 50 to 75 cents per day for labor. What I have said about lead applies with equal force to the zinc industry. Excepting the smelting operation, all other parts of the process of lead production must be followed in order to make zinc ores ready for the market. During the years 1908 and 1909, when zinc ores were practically on the free list, the duties collected on zinc and the manufactured products of zinc aggregated \$252,946.16, and during the years 1909 and 1910 the duties on zinc and zinc products aggregated \$929,538.53, showing a net average annual increase in revenues under the Payne bill for the two years of \$338,296.18. We insist that the present duty upon lead ores does not measure the difference in cost of production here and in Mexico. Gold is frequently found in association with the low-grade lead ores, and the hope of finding the gold would lead the gambling spirit of the American pioneer to produce enough lead to fully meet the demand for consumption and entirely prevent the importation of lead ores from foreign countries if the duty even approximately measured the difference in production costs. The fact that we have used in this country during the years 1908, 1909, 1910, 124,912,000 pounds of lead more than we have produced, which represents the production from 1,500,000 tons of low-grade lead ore, the production of which would have put into circulation, for labor, machinery and supplies during those three years more than \$5,000,000, proves that the present tariff duty on lead ores is inadequate.

Senator SIMMONS. You mean inadequate to keep all lead ore out?

Mr. CALLBREATH. Yes, inadequate to measure the difference in cost of production—

Senator SIMMONS. Is that what you are claiming, that we ought to have a duty on lead ore that would absolutely keep all other lead ore out of this country?

Mr. CALLBREATH. No, sir; I claim we ought to have a duty which represents the actual difference in cost of production here and abroad.

Senator WILLIAMS. How much of these imported lead ores from Mexico were imported for the purpose of helping with the American refractory ores?

Mr. CALLBREATH. I presume they were largely used that way.

Senator WILLIAMS. As a matter of fact, that was the object of most of the importation, was it not?

Mr. CALLBREATH. I would hardly say that. The object was to bring the lead in and meet the demand here for that production. Of course, they were used in that way.

The value of the importations of lead and lead manufactures into the United States, despite the duties collected, has increased from \$429,095.69 in 1908 to \$723,034.24 in 1911, and the duties collected on lead importations have increased from \$270,333.96 in 1908 to \$605,234.10 in 1911. We submit that as a revenue-producing measure the present law, as it relates to lead and zinc, is a success.

With the committee's permission, I desire to put into the record a statement showing the successive steps in silver-lead mining (Appendix A); a statement concerning the silver-lead mines of Mexico (Appendix B); a statement concerning mine labor and supplies in Mexico (Appendix C); a statement of the comparative efficiency of Mexican labor (Appendix D); an official summary of the lead and zinc production of the United States, taken from "Mineral Resources of the United States, 1910," United States Geological Survey; and statements concerning lead and zinc production (Appendix E), with the authorities from which these facts are gathered; and a statement showing the average monthly price of lead and spelter in London and New York from 1900 to 1910, from the Mineral Industry, 1910 (Appendix F).

Senator WILLIAMS. I wish right there you would add another appendix. Give, for your own mine, the amount of your sales for 1908, 1909, 1910, and 1911 and the amount of your labor roll for those same years.

Mr. CALLBREATH. Senator, I have been operating my property for but one of those years. In 1908 I ceased operation.

Senator WILLIAMS. I thought you were representing some mining company.

Mr. CALLBREATH. No; the American Mining Congress, an association of mining men.

Senator WILLIAMS. Could you get those figures for the company with which you have been connected?

Mr. CALLBREATH. The American Mining Congress is the chamber of commerce of the mining men of the United States. I personally ceased when lead went below 5 cents, and the mine in which I am interested can not run until it goes above 5.

Senator WILLIAMS. But there are lead mines which can be run at less than 5 cents?

Mr. CALLBREATH. Yes, sir.

Senator WILLIAMS. There are some places that can not be run with lead less than 6?

Mr. CALLBREATH. Yes; it may be continued.

Senator WILLIAMS. There are some that can run at 2½, are there not?

Mr. CALLBREATH. The average lead mine of the United States unless they get a benefit from associated methods, can not run at less than 5 cents.

Senator WILLIAMS. Notwithstanding the fact that you are not connected with any mine now, you are able to get the figures out of which you make these various estimates?

Mr. CALLBREATH. They are all included here [indicating documents].

Senator WILLIAMS. You got those from the Government reports?

Mr. CALLBREATH. Yes; from the Government reports.

**STATEMENT OF MR. WILLIAM C. DODD, PRESIDENT OF THE
NATIONAL LOCK WASHER CO., OF NEWARK, N. J.**

The CHAIRMAN. Mr. W. C. Dodd desires to say a few words to the committee. Where do you reside, Mr. Dodd?

Mr. DODD. In Newark, N. J. My name is William C. Dodd. I am president of the National Lock Washer Co., Newark, N. J. In making this statement I also represent seven of the eight manufacturers of nut locks and lock washers in this country. Besides my company, there are two manufacturers in Newark, N. J. The others are located in Pittsburgh, Pa., Brackenridge, Pa., Worcester, Mass., Riverside, N. J., and Massillon, Ohio.

May I direct your particular attention to the classification of nut locks in paragraph 21, page 8, of the Underwood bill, which reads as follows:

Bolts with or without threads, or nuts or nut blanks, finished hinges or hinge blanks, and spiral nut locks and washers, whether of iron or steel, fifteen per centum ad valorem.

There seems to have been much confusion as to just what is a nut lock or lock washer. A nut lock or lock washer is practically one convolution of a spiral made from a steel rod, which when received by us has passed through the rolling-mill operations of hot rolling and cold drawing, depending upon the sizes and sections desired. All our steel is made to our own chemical analysis and physical tests and is furnished in many different sizes and sections. The steel rod is wound by us in a machine on a mandril into a coil. Each convolution is then severed from the coil, hardened, tumbled, and tempered. Nut locks are used on bolts to prevent nuts from loosening. The efficiency of the article depends absolutely upon its resiliency or spring power, obtained by proper hardening and tempering. The useful function of the device is performed wholly by reason of its elasticity and must be made of high-grade steel which will take proper temper, so that it will retain its resilient properties for years, even when permanently compressed, as otherwise it would become functionless. The number of nut locks manufactured in this country per year is about 260,000,000, requiring approximately 7,200 tons of steel.

I submit Exhibit A, which shows the process of manufacture of nut locks or lock washers from the steel rod to the finished product.

Senator CLARK. Does your concern manufacture anything else?

Mr. DODD. Yes, sir.

Senator CLARK. What other line?

Mr. DODD. We manufacture curtain and window fixtures for railway cars.

I also submit Exhibit B, which shows the nut lock as applied to a bolt.

As far as we can learn, importations of these articles have only been made within the past year. We very soon felt the effect. Investigation showed that the importers were attempting to have these articles classified under paragraph 162 of the Payne-Aldrich Act of 1909, which reads:

162. Spikes, nuts, and washers, and horse, mule, or ox shoes, of wrought iron or steel, three-fourths of one cent per pound.

(We estimate that three-fourths of 1 per cent per pound mentioned in paragraph 162 equals on the average 15 per cent ad valorem on the foreign selling prices of these goods.) The appraiser at New York, however, refused to allow such classification and the importers were charged a duty of 45 per cent ad valorem under paragraph 199 of the Payne-Aldrich Act, which includes articles not specially provided for in the metals schedule of that act. The importers appealed and the question of this classification is now before the Customs Court for decision.

It can be readily seen, therefore, that even under the Payne-Aldrich Act there is no satisfactory classifications of nut locks. A nut lock or lock washer can not be classed as a washer. A washer is intended to furnish a broader and more extended bearing when placed on a bolt under a nut than the nut alone affords. It has absolutely no other function.

Senator CLARK. How about the classification in section 21 of the Underwood bill, "spiral nut locks and washers"?

Mr. DODD. There seems to be a confusion there as to what is really meant by "washers." If the section had said, "and spiral washers," it would have been, in my opinion, clear.

Senator SIMMONS. Have you stated in there just exactly how you think it ought to be?

Mr. DODD. I have later, Senator. Washers are punched from strap material and the operations of manufacturing are among the simplest of mechanical work. Unlike nut locks they are sold by the pound. It is evident, therefore, that a nut lock or a lock washer is not a washer, or vice versa.

I submit samples of washers marked "Exhibit C."

The same confusion as to what is a nut lock is apparent in the Underwood bill. Nut locks are still confused with washers and are also classed with articles entirely dissimilar, such as bolts, bolt blanks, hinges, etc., which may be made of iron. Spiral nut locks, on the contrary, as has been shown, must be made of high-grade steel. To add to the confusion the duty on washers is in paragraph 21 fixed at 15 per cent ad valorem and yet washers also appear in the free list, paragraph 70, page 22, line 3.

Owing to the confused classification in the Payne-Aldrich Act, it is impossible to state how many nut locks and lock washers have been

imported. We do know, however, that Germany is our strongest foreign competitor, and that the competition from this source is growing constantly stronger. Our investigation shows that the selling prices of 48 sizes of nut locks of 8 German and French manufacturers average \$1.12 per 1,000, to which must be added 25 cents per 1,000 for transportation, etc., to New York. The German and French manufacturer, therefore, can sell his goods in this market for \$1.37 per 1,000 plus the duty, which under the Underwood bill would amount on the average to 17 cents per 1,000, making a total selling price of \$1.54 per 1,000 f. o. b. New York. As compared with this, our average total cost without any profit added, figured on the same sizes, f. o. b. New York, is \$2.53 per 1,000.

Senator SIMMONS. Right there, have you got it stated how many are sold, what amount is sold in this market?

Mr. DODD. You mean the importation, Senator?

Senator SIMMONS. Yes.

Mr. DODD. We can not tell. We have endeavored to ascertain that, but on account of the confused classification, as to what are washers, we have been unable to find the exact quantity that has been imported.

Senator SIMMONS. Some is, is it?

Mr. DODD. Yes, sir.

Senator SIMMONS. How much you are not able to say?

Mr. DODD. No, sir.

Senator SIMMONS. Is it considerable as compared with the consumption in this country?

Mr. DODD. Not yet; the importations started only about a year ago.

Senator SIMMONS. How does that happen? As I understand you, they can put it down in New York—at what did you say?

Mr. DODD. \$1.54 per 1,000.

Senator SIMMONS. That includes the duty?

Mr. DODD. Yes, sir.

Senator SIMMONS. And you say your cost of production is what?

Mr. DODD. Our total cost, including our production and our selling cost, is \$2.53 per 1,000.

Senator SIMMONS. Why could they not bring them in, if there is that much difference in your cost and the price at which they can put them down in New York?

Mr. DODD. They are bringing them in.

Senator SIMMONS. I understood you to say just now they are not bringing them in in any considerable quantities.

Mr. DODD. The business has only just started, and the importations, as I say, have increased.

Senator SIMMONS. What did you mean by saying that the business has only just started? You do not mean to say that Germany has just started?

Mr. DODD. They have been manufacturing them a good many years; but the importations have just started.

Senator SIMMONS. Can you give the committee any reason why the importations are just starting, if there is that much difference between the cost here and there?

Mr. DODD. On account of the confusion and classification of the duty.

Senator SIMMONS. Such as have come in have been paying 45 per cent, and are still paying 45 per cent?

Mr. DODD. Yes.

Senator SIMMONS. You say they can put them down in New York at nearly a dollar a thousand less than you can make them?

Mr. DODD. They are paying 45 per cent; but I believe they expect, under the ruling of the classification, to import them at three-quarters of a cent a pound.

Senator SIMMONS. But, paying the higher duty, 45 per cent, they can still put them down, according to your estimate, in New York for about \$1 a thousand less than you say the cost of manufacturing is in this country?

Mr. DODD. Not the cost of manufacturing only; our cost of manufacturing and placing on the market.

Senator SIMMONS. They can put them down in New York and pay a duty of 45 per cent—

Mr. DODD. No; pay a duty of three-fourths of a cent a pound.

Senator SIMMONS. They never have been allowed to import them at that rate of duty. They have been charged 45 per cent when they have imported them to this country. That is a matter in litigation that has not been decided?

Mr. DODD. Yes, sir.

Senator SIMMONS. But the importations up to this time have been on the basis of 45 per cent?

Mr. DODD. I presume they expect to pay that unless the decision is the other way.

Senator SIMMONS. Adding 45 per cent to their New York price for the duty, what could they put them down in New York for?

Mr. DODD. About \$1.93 a thousand.

Senator SIMMONS. And your selling cost is \$2.50?

Mr. DODD. Yes, sir.

Senator SIMMONS. What is to prevent them, under those conditions, from taking your market right away from you now?

Mr. DODD. That is what we fear.

Senator SIMMONS. And yet, you say for years and years they have not done it?

Mr. DODD. They have not.

Senator SIMMONS. Their importations have been absolutely negligible?

Mr. DODD. Yes, sir. I can not account for it; I do not know why.

Senator SIMMONS. If they have not interfered with you in the past, why do you apprehend they will interfere with you in the future?

Mr. DODD. I will say this, that the importation has been due to the requirements of small sizes of lock washers and nut locks for automobile requirements, which industry has started up, of course, practically in the last eight or nine years.

Senator SMOOT. There is more labor in such classes of lock nuts than the other sizes, that used to be manufactured almost wholly?

Mr. DODD. Yes, sir.

Senator SIMMONS. In that connection, what per cent of the total production in this country do you make?

Mr. DODD. Our concern?

Senator SIMMONS. Yes.

Mr. DODD. Our concern manufactures about 28 or 29 per cent.

We have endeavored to find the relative cost of labor in this industry in Germany, but we are unprepared at this time to accurately state the same. Our best information is that the same class of labor which here receives a minimum of \$2 per day is in Germany paid 3 to 4 marks or 71 to 94 cents per day. The fact remains, however, that whatever is the cost of the foreign labor, the selling prices of the imported articles average \$1.54 per 1,000, duty and all other charges included, as against our cost, including no profit, of \$2.53 per 1,000.

Senator WILLIAMS. You mean that is the present case, under the present law, that is going on?

Mr. DODD. That would be the case under the Underwood bill.

Senator WILLIAMS. What is the duty per 1,000 when you reduce it under the present law?

Mr. DODD. Seventeen cents. As I have stated, the New York appraiser has classified these articles heretofore under paragraph 199 of the Payne-Aldrich Act, which fixes a duty of 45 per cent ad valorem.

Senator WILLIAMS. What does that amount to in dollars and cents per 1,000—45 per cent ad valorem?

Mr. DODD. It would amount to between 45 and 50 cents per 1,000.

Senator WILLIAMS. The duty would be between 45 and 50 cents per 1,000?

Mr. DODD. Yes, sir.

Senator WILLIAMS. You have been carrying on business in this product, notwithstanding the fact that the foreigners could import it at \$1.54 when it costs you \$2.53?

Senator SIMMONS. \$1.93, he said, Senator.

Senator WILLIAMS. That they import and sell it at \$1.54, when it costs you \$2.53 to make it?

Mr. DODD. To make it and market it.

Senator WILLIAMS. That is, to put it in New York; just where they put it?

Mr. DODD. Yes, sir.

Senator WILLIAMS. That is a difference, in round numbers, of a dollar?

Mr. DODD. Yes, sir.

Senator WILLIAMS. Yet, with his clear advantage of 50 cents a thousand, you have been making and selling these things?

Mr. DODD. The importations have only started in the last year.

Senator WILLIAMS. How long has this condition existed—since the Payne-Aldrich bill was enacted?

Mr. DODD. The Payne-Aldrich bill went into effect in August, 1909, and these importations started about a year ago.

Senator WILLIAMS. So it took them two years to find out they had an advantage of 50 cents a thousand on these things?

Mr. DODD. Evidently; I, of course, do not know about that.

Senator WILLIAMS. The only thing I am wondering at, if that is the case and your premises are correct, is that you are manufacturing or selling any.

Mr. DODD. Right.

Senator WILLIAMS. That is absolutely incomprehensible to me.

Mr. DODD. If we are not protected sufficiently, they will get this market away from us.

Senator WILLIAMS. I understand. But you say, even with the protection you are now receiving, that it costs you a dollar more?

Mr. DODD. Yes, sir; it does.

Senator WILLIAMS. To make and put the things on the market than it costs them to bring them to New York and compete with you?

Mr. DODD. That is a fact.

Senator WILLIAMS. And the duty difference is only 50 cents per thousand, so that with the duty added it costs you 50 cents more to make these things, making and selling cost, as you express it—

Mr. DODD. Right.

Senator WILLIAMS. Than these people can put it down in New York for?

Mr. DODD. Yes, sir.

Senator SMOOT. If it is \$1.56 and 45 per cent, that is 69 cents, instead of 54 cents.

Mr. DODD. Approximately.

Senator WILLIAMS. If it is 69 cents, the difference would be 31 cents instead of 50; that is all.

Senator CLARK. Under your statement, as I understand you, the Payne-Aldrich tariff is not sufficient, according to your estimate, to afford any protection.

Mr. DODD. No, sir.

Senator CLARK. How was it under the Dingley bill, just the same?

Mr. DODD. Yes. I never heard of any importations. I have been in this business 25 years, and the first importation I heard of was, as I say, approximately a year ago.

Senator CLARK. Do you know of any improved machinery in Europe, or in Germany, by which, in the last two or three years, they could have reduced their cost of production?

Mr. DODD. I do not. I consider we can produce the goods as cheaply, if not more cheaply, than anybody, in this country.

Senator HEYBURN. What is the amount of your production?

Mr. DODD. We manufacture 80,000,000 nut locks a year.

Senator HEYBURN. Eighty millions of items?

Mr. DODD. Yes, sir.

Senator HEYBURN. What in dollars and cents?

Mr. DODD. Possibly \$350,000 or \$360,000.

Senator HEYBURN. How many men do you employ?

Mr. DODD. In manufacturing those goods we average 75 men.

As I have stated, the New York appraiser has classified these articles heretofore under Paragraph 199 of the Payne-Aldrich Act which fixed a duty of 45 per cent ad valorem. Even this is greatly inadequate to allow the American manufacturer to compete with the foreigner in the domestic market. The Underwood bill fixes the duty on spiral nut locks at 15 per cent ad valorem. The effect of such a duty is obvious.

The situation is alarming to our industry. We emphatically protest against the classification of spiral nut locks with articles totally dissimilar both as regards raw material and processes of manufacture. We earnestly request that "spiral-spring nut locks" and "spiral-spring lock washers" be given a special classification at a duty which will protect the domestic manufacturer. I request the privilege of filing a supplemental statement if we consider it desirable.

Senator CLARK. What duty would you suggest as being a protective duty?

Mr. DODD. I think we need 80 per cent.

Senator CLARK. Instead of 45?

Mr. DODD. Yes, sir.

Thereupon, at 1 o'clock p. m., the committee adjourned until tomorrow, Wednesday, February 21, 1912, at 10 o'clock a. m.

(The following papers were submitted by Mr. Calbreath:)

APPENDIX A.

SUCCESSIVE STEPS IN SILVER-LEAD MINING.

Between the discovery of the deposits of lead ores and the marketing of the refined metal, a long series of complex operations intervene, many of which may properly be classed as manufacturing processes. The more important of these operations are:

1. Prospecting: The search in new localities for ore deposits or for signs of ore.
2. Developing: The installation of hoisting machinery, air compressors, compressed-air drills, haulage cars, pumps, and other machinery, and the making of tunnels, shafts, drifts, cross-cuts, and other openings in the earth which may serve in the end as avenues for bringing ore to the surface, for drainage, and for ventilation, but which are made primarily in searching for suspected ore bodies and in ascertaining their extent and value.

3. Mining: The breaking of the ore down, getting it to the surface, and timbering the excavation to keep the ground from caving in.

4. Tramming: Conveying the ore over rails or by aerial tramway from the mine to a concentrating mill located near an available water supply.

5. Concentrating: Breaking, crushing, and grinding the ore into fine particles by means of proper machinery; passing the fine particles over jigs, tables, and other approved devices, so that with the aid of water and by the process of gravity the heavy particles containing the valuable mineral are collected, the bulk of the worthless rock and dirt being washed away.

When the ore as mined has a high lead content, as happens in some districts, and where the gangue is not too refractory for economical smelting, the concentrating operation is omitted. Many of the mines of Mexico are notable in this respect.

6. Transportation of the concentrated ore by railroad from the concentrating mill to a sampling works.

7. Sampling: The obtaining of a very small quantity of ore that shall represent the average of a lot of many tons, so that by means of an assay on the sample the value of the entire lot may be arrived at.

8. Transportation of the concentrated ore, by railroad, from the sampling works to a smeltery.

9. Smelting: Mixing the concentrated lead ore with siliceous or dry ores containing silver and gold and with fluxes, such as iron ore and limestone, making the proportion such that in a smelting furnace the combination will form a molten slag, out of which the particles of lead, silver, gold, and other metals may settle and be drawn off as base bullion.

10. Transportation of the base bullion, by railroad, from the smeltery to the refinery.

11. Refining: Separating the lead, gold, silver, and other metals and impurities from one another, either by a combination of fire processes or by electrolysis.

APPENDIX B.

MEXICAN LEAD-SILVER MINES.

The existence of extensive deposits of argentiferous-lead ores in Mexico, in the regions of the Sierra Mojada, Chihuahua, Santa Barbara, and Monterey, are matters of common knowledge. The ability of these mines to produce lead at low cost is suggested in a paper entitled "The Sierra Mojada, Coahuila, Mexico, and its Ore Deposits," by James W. Malcolmson, presented before the American Institute of Mining

Engineers, at its Mexican meeting, in November, 1901, and published in the transactions of the institute, Volume XXXII, pages 100-139. We are told in this paper that between the years 1886 and the time of writing (1901) "some 3,000,000 tons of ore have been extracted from the mines" (p. 100), and that "a powerful and successful smelting industry, employing thousands of men, has been developed in Mexico by the investment of millions of dollars, largely of American capital" (p. 103). To one who understands the requirements of a successful lead smeltery, the most extraordinary thing about the Sierra Mojada region, aside from the vastness of the ore deposits and the grade of the ore, is that the iron ores and even the lime needed for fluxing carry important precious metal values. The following extracts are all from Mr. Malcolmson's paper:

"At the present time, practically the same ore bodies are being worked which were discovered in the early period of development; but improved conditions permit the profitable mining of a very much lower grade of ore than formerly. The following table shows approximately the tonnage, assay, and analysis of the various ores mined in the camp during 1900:

	Metric tons.	Ag. ounces per ton.	Ph.	SiO.	FeO.	CaO.	BaSo.
			<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Basis lead ore.....	80,000	9.0	15.0	16.0	36.0	5.0	.....
Siliceous lead ore.....	23,000	10.0	14.0	34.0	22.0	2.0	.....
Irony lead ore.....	7,500	3.0	15.0	3.0	58.0	2.0	.....
Siliceous ore.....	2,500	19.0	.0	73.0	10.0	1.0	.....
Irony ore.....	1,000	1.0	1.0	3.0	77.0	1.0	.....
Lime ore.....	25,000	8.0	.0	7.0	3.0	33.0	.....
Siliceous lime.....	52,000	18.0	.0	20.0	3.0	21.0	10.0

"In all the mines now open, there are very large bodies of mineral of the classes mentioned above, but lower in grade. In time, with lower freight and treatment rates, these will undoubtedly prove to be a source of profit" (p. 104).

"The Sierra Mojada has always been regarded as a source of lead supply, and to-day probably two-thirds of the entire product of the camp is lead-carbonate ore from these last-mentioned deposits. The average assay of the lead ore, now 12 ounces of silver per ton and 15 per cent of lead" (p. 128).

"In the early days the ore was freighted by teams 75 miles to Escalon, and shipped over the Mexican Central Railroad to El Paso, Tex., or to Argentine, Kans. No duties were collected by either the Mexican or the United States Government. In 1889 a local duty of 2.6 per cent of the value of silver and lead contents was imposed; and since 1896 an additional duty of 4.5 per cent on the silver contents has been collected at the frontier by the Mexican Federal Government; and by a decision of the United States customs authorities, ratified by subsequent legislation, a duty of 1.5 cents per pound of the lead has been collected on its admission into the States" (p. 102).

"Much of the lead ore shipped at the present time to the United States is smelted in bond in the same manner as the Canadian lead ores, and subsequently sold outside of the country" (p. 102).

"Modern methods. * * * Square-set methods of mining and timbering were introduced. Experienced timbermen from Colorado were employed at first to put in the sets; but the Mexican miners themselves finally became so skillful that of late years practically all the timbering has been done by native labor. A few years after taking over the mines the American operators built from Escalon to the camp a railroad which has been one of the most prosperous enterprises in the Republic.

"With the introduction of American methods of mining it was found profitable to rework the old but partially exhausted stopes throughout their entire extent. On account of the large size and softness of the lead-ore bodies the cost of mining has always been low" (p. 133).

"Labor for the mines is fairly abundant. The Sierra Mojada miner earns usually \$1.50 Mexican or \$0.75 United States currency per day. He is industrious and intelligent, and will mine and timber in the heaviest ground with skill and confidence" (p. 139).

APPENDIX C.

MINE LABOR AND SUPPLIES IN MEXICO.

[Extracts from an article entitled "Mine Labor and Supplies in Mexico," by Mark E. Lamb, Mining Engineer, published in the Engineering and Mining Journal of Dec. 26, 1908, pp. 1245-1247.]

"Labor conditions in Mexico differ so widely and radically from those across the border in the United States that some notes and illustrations of how work is done there seem to be of interest and service to engineers and investors."

"One should always bear in mind the extremely low cost of labor. Where else can dirt be moved at the cost given for grading from pinguico mill? They are not even doing it at Panama. * * * The margin must indeed be close when 100 tons of sand can be shoveled to conveyors from tanks for \$2.50 gold. Compared with similar work in Nevada and California it is simply too low a cost to be included in finals per ton."

"Mill machinery, supplies, and materials are cheaper in Mexico almost without exception than in the States. One of the exceptions is Standard Oil products. Manufacturers in the States allow a special export discount of from 5 to 10 per cent from their lowest prices for home consumption. There is a slight duty on machinery for mines, but when the proper representation is made to the department even these small duties are refunded when new plants are built. The Mexican Government certainly fosters the mining business sedulously and impartially, and it is exactly this treatment which has given miners such confidence. Money will continue to come to Mexico for mining investments while the evidence is all one way as to the treatment received. Railroad rates to Mexican camps are much lower than similar hauls in the States. The same applies to passenger fares, and with even greater force to telegraph tolls. The latter service double discounts Western Union in cost, expedition, and accuracy, to say nothing of the fact that complaints receive attention and proper adjustment. All these differences are due to Government control, the latter having as much to do with low freight rates perhaps as the competing water hauls. * * *"

APPENDIX D.

COMPARATIVE EFFICIENCY OF MEXICAN LABOR.

Comparison.

	Cost per foot.	Wages.
Central Mexico: Drifting and crosscutting in hard slate, etc., Mexican hand labor, contract work (see a).....	\$1.85 to \$2.30	\$0.375 to \$0.50
Amador County, Cal.: Drifting and crosscutting in black slate, etc., American labor, air drills (see b).....	5.37	2.50 to 4.00
Comstock Lode, Nevada: Drifting in ordinary ledge matter, American labor, air drills (see c).....	9.00 to 10.00	.....

(a) *Drifting, etc., in Central Mexico.*—(From an article entitled "Efficiency of Mexican labor," published as special correspondence in the Engineering and Mining Journal, Oct. 17, 1908, p. 752): "As to the greater dollar of efficiency of Mexican labor, note these contract prices current at a mine at which I am consulting engineer. The vein is about 3½ feet wide, and varies in hardness, being frequently quite soft. The crosscuts are in hard slate. Values are given in United States currency per foot: Main drifts, 5 by 7 feet, hand labor, \$2.30; intermediate drifts, 4 by 6 feet, \$1.85; crosscuts, 4 by 6 feet, \$2.15; winzes, \$1.85 to \$2.25. This does not include hoisting and pumping * * *"

"In Central Mexico an ordinary miner gets 37½ to 50 cents gold per day, except in some of the larger camps."

(b) *Drifting, etc., in California.*—(From paragraph on "Drifting and crosscutting," p. 188, "Modern tunnel practice," by David McNeely Stauffer, New York, 1906): "From this same shaft (Lincoln mine, Amador County, Cal.) a crosscut was extended 642 feet, passing through 40 to 60 feet of black slate, with considerable water; and then two drifts were driven, aggregating 483 feet in length. The work was done with the

'Baby' giant, and the average depth of each hole was 5 feet." The following table of costs was furnished by Mr. Voorheis:

	Total cost.	Per foot.
Labor: Miners, \$2.75 (per 8-hour day); carmen, \$2.50 (per 8-hour day).....	\$3,772.50	.....
Day foreman, \$4 per 10-hour day.....	672.00	.....
Night foreman, \$3.25 per 10-hour day.....	485.50	.....
Total labor cost.....	4,880.00	\$4.153
Powder.....	1,225.50	1.043
Fuse.....	79.50	.068
Caps.....	85.00	.030
Candles.....	96.00	.082
Total cost.....	6,317.00	5.376

(c) *Drifting at the Comstock lode, Nevada.*—(From article on 'Modern mining on the Comstock,' by Claude T. Rice, Engineering and Mining Journal, Dec. 29, 1906, p. 1211): "With this article, ventilation, it is possible to drive with air drills a 5 by 6 foot drift in ordinary ledge matter on the Comstock for \$9 to \$10 per foot, a remarkably low cost, considering the unfavorable conditions."

APPENDIX E.

Summary of lead statistics, 1907-1910, in short tons.

	1907	1908	1909	1910
Production of refined lead in United States.....	414,189	396,483	448,112	470,280
Production of desilverized lead in the United States.....	284,432	265,551	290,800	301,136
Production of soft lead in the United States (including desilverized soft).....	129,757	130,882	151,222	166,244
Production of antimonial lead in the United States.....	9,910	13,629	12,896	14,009
Total production of lead from domestic ores.....	365,166	310,762	354,188	372,227
Production of secondary lead in the United States.....	25,498	18,533	41,149	55,323
Consumption of lead in the United States (disregarding stock).....	386,711	336,292	368,853	394,588
World production (approximate).....	1,065,174	1,145,180	1,164,709	1,211,411
World consumption (approximate).....	1,065,270	1,164,335	1,177,808	1,196,842
United States (domestic) percentage of world production.....	33.3	27.1	30.4	30.7
United States percentage of world consumption.....	35.3	28.9	31.3	33.0
World rank of United States:				
In production of lead.....	First.	First.	First.	First.
In consumption of lead.....	First.	First.	First.	First.

Summary of spelter statistics for 1907-1910.

	1907	1908	1909	1910
Production of spelter by United States.....	249,880	210,424	255,760	269,184
Consumption of spelter by United States (stocks considered).....	226,969	214,167	270,730	245,884
Production of zinc by world.....	813,842	798,832	864,066	883,419
Consumption of zinc by world (stocks considered in United States).....	795,315	812,114	879,900	882,572
Excess of world production over consumption.....	18,527	15,080	18,740	846
Excess of world consumption over production.....	30.7	26.4	29.9	30.5
United States percentage of world production.....	28.5	26.4	30.8	27.9
Rank of United States among spelter-producing countries.....	First.	Second.	First.	First.
Rank of United States among spelter-consuming countries.....	First.	First.	First.	First.

APPENDIX F.

Average monthly price of lead per pound in New York and London (cents).

[Authority: "The Mineral Industry," during 1910, by A. H. Fay. Lead table, pp. 433 and 434; zinc table, pp. 690 and 691. British pounds per ton reduced to United States cents per pound, by J. S. Macey.]

Years.	January.		February.		March.		April.		May.		June.	
	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.
1901.....	4.35	3.45	4.35	3.19	4.35	2.91	4.35	2.70	4.35	2.67	4.35	2.66
1902.....	4.00	2.30	4.075	2.524	4.075	2.500	4.075	2.519	4.075	2.520	4.075	2.449
1903.....	4.075	2.466	4.075	2.544	4.442	2.873	4.667	2.695	4.326	2.564	4.210	2.485
1904.....	4.347	2.500	4.375	2.518	4.475	2.615	4.475	2.662	4.423	2.554	4.196	2.503
1905.....	4.552	2.797	4.450	2.707	4.470	2.671	4.500	2.750	4.500	2.773	4.500	2.824
1906.....	5.600	3.651	5.464	3.483	5.350	3.459	5.404	3.467	5.685	3.634	5.760	3.653
1907.....	6.000	4.306	6.000	4.243	6.000	4.280	6.000	4.340	6.000	4.077	5.760	4.398
1908.....	3.691	3.143	3.725	3.096	3.838	3.086	3.993	2.926	4.263	2.811	4.466	2.737
1909.....	4.175	2.849	4.018	2.892	3.966	2.919	4.168	2.889	4.287	2.873	4.350	2.831
1910.....	4.700	2.965	4.613	2.896	4.459	2.838	4.376	2.746	4.315	2.726	4.343	2.756

Years.	July.		August.		September.		October.		November.		December.	
	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.
1901.....	4.35	2.64	4.35	2.64	4.35	2.60	4.35	2.52	4.35	2.45	4.15	2.29
1902.....	4.075	2.440	4.075	2.416	4.075	2.366	4.075	2.335	4.075	2.328	4.075	2.336
1903.....	4.075	2.473	4.075	2.421	4.243	2.426	4.375	3.524	4.218	2.413	4.162	2.429
1904.....	4.192	2.536	4.111	2.550	4.200	2.561	4.200	2.648	4.200	2.801	4.600	2.775
1905.....	4.524	2.956	4.665	3.032	4.850	3.031	4.850	3.189	5.200	3.332	5.422	3.704
1906.....	5.750	3.560	5.750	3.717	5.750	3.968	5.750	4.204	5.750	4.189	5.000	4.260
1907.....	5.288	4.421	5.250	4.141	4.813	4.290	4.750	4.026	4.376	3.754	3.658	3.159
1908.....	4.477	2.824	4.580	2.906	4.515	2.851	4.351	2.906	4.300	2.941	4.213	2.658
1909.....	4.321	2.729	4.363	2.710	4.342	2.777	4.341	2.862	4.370	2.834	4.560	2.681
1910.....	4.404	2.712	4.400	2.718	4.400	2.733	4.400	2.844	4.442	2.871	4.500	2.867

Average monthly price of spelter per pound in New York and London (cents).

Years.	January.		February.		March.		April.		May.		June.	
	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.
1905.....	6.190	5.445	6.139	5.343	6.067	5.176	5.817	5.172	5.434	5.126	5.190	5.187
1906.....	6.487	6.132	6.075	5.615	6.209	5.335	6.078	5.600	5.997	5.866	6.096	6.024
1907.....	6.732	5.893	6.814	5.694	6.837	5.699	6.985	5.627	6.441	5.554	6.419	5.533
1908.....	4.518	4.467	4.788	4.535	4.665	4.579	4.645	4.637	4.606	4.325	4.543	4.127
1909.....	5.141	4.655	4.889	4.685	4.754	4.657	4.965	4.678	5.124	4.772	5.402	4.769
1910.....	6.101	5.073	5.569	5.038	5.637	5.003	5.439	4.881	5.191	4.801	5.128	4.800

Years.	July.		August.		September.		October.		November.		December.	
	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.	New York.	Lon. don.
1905.....	5.396	5.201	5.706	5.361	5.887	5.730	6.067	6.132	6.145	6.192	6.522	6.329
1906.....	6.008	5.822	6.027	5.850	6.216	5.988	6.222	6.099	6.375	6.036	6.593	6.069
1907.....	6.072	5.181	5.701	4.773	5.236	4.573	5.430	4.731	4.925	4.657	4.254	4.361
1908.....	4.485	4.134	4.702	4.204	4.769	4.250	4.801	4.291	5.089	4.535	5.137	4.461
1909.....	5.402	4.773	5.729	4.807	5.796	4.975	6.199	5.039	6.381	5.038	6.240	5.017
1910.....	5.152	4.868	5.279	4.953	5.514	5.083	5.628	5.192	5.976	5.232	5.624	5.218

MURRAY, IDAHO, *February 11, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I hope that when the Underwood bill comes before the House that yourself and colleagues will be able to defeat this measure in just 10 minutes.

The framers of this bill were certainly not alive to the interests of the most affected—those that dig the lead—probably more than likely would rather shut the mines down in the United States and get it from Mexico and Canada or some other foreign country where they have capital invested.

This bill, if passed, will ultimately close most of the mines in this State, consequently throwing me out of employment, who like many more have a family to support, and if it comes to a cut in wages it is a menace to our very existence.

Realizing that this is so important to my welfare, hence this appeal to do your utmost to quench this measure that means so much to us in the Northwest. I remain with interest to the outcome.

Yours, very respectfully,

R. W. GARRETT.

MURRAY, IDAHO, *February 11, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: Knowing that the Underwood bill is pending, I hope you may find time to read this feeble appeal for myself and others who will be seriously affected if passed.

It means lack of employment or a cut in wages, or, worse yet, the shutting down of the mines in this State. It means my bread and butter, and hope you will use your good efforts for the behalf of those that it will affect. I am,

Yours, respectfully,

C. A. EASLEY.

MURRAY, IDAHO, *February 12, 1912.*

DEAR SIR: Please use your influence to prevent the passage of the Underwood bill, removing the duty on lead. Will throw the workingmen out of work. It costs us \$1 a day to eat. How can we compete with the Mexican miner, who is working for 50 cents a day?

Yours, truly,

JOE JAMES,
*Bear Top Mine.*MURRAY, IDAHO, *February 11, 1912.*

Hon. Senator W. B. HEYBURN:

We can already see the smoke rising above the horizon in the lead-silver district of North Idaho. When we read of the introduction of the lead tariff bill, we think with sad hearts of the men that will be out of work, with families that are depending on their day's work for the sustenance of life.

We, therefore, wish to have things remain as they are. By the killing of said bill we believe it can be done.

Respectfully, yours,

HARRY BOMBA.

MURRAY, IDAHO, *February 12, 1912.*Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: Could I be permitted to add my voice of protest to those already raised against the tariff reduction on zinc and lead, as proposed by the Underwood bill? This bill will only hurt the miner and prospector of the West. It will take the chances out of the way of workers in the mines in this and other districts, where lead is the chief value, to make an honest living.

Respectfully, yours,

S. ANDERSON.

MURRAY, IDAHO, *February 10, 1912.*

Hon. Wm. B. HEYBURN.

DEAR SIR: In these few lines I humbly ask you to do everything in your power for high tariff on lead-silver ores. As a lead miner, claim owner, and prospector will say if the tariff is taken off the Cœur d'Alene mine belt is swamped; will also mean a cut in wages.

Yours, very truly,

CHAS. SULLIVAN.

MURRAY, IDAHO, *February 12, 1912.*Senator HEYBURN, *Washington, D. C.*

DEAR SIR: Being an employee of a mining company, also interested in the development of some lead and zink property, and knowing the effect the Underwood bill will have on the mining industry, I earnestly ask you to do all in your power to defeat this bill.

Yours, very respectfully,

C. C. BECKNER.

MURRAY, IDAHO, *February 11, 1912.*

Hon. Senator W. B. HEYBURN:

The introduction of the lead-silver tariff bill brings us back face to face with the panic of 1907, when not only some of the small producers of this district, but the Morning Mine of Mullan, one of the largest mines in the Coeur d'Alenes, was closed down all winter, and these clearance-house checks were sprung on what few were working, and it was no joke. We were forced to take them. We therefore, as workmen, urge Congress to take some action and try to avert the scenes of former days.

Respectfully, yours,

BERT WOLFE.

MURRAY, IDAHO, *February 11, 1912.*Senator W. B. HEYBURN, *Washington, D. C.*

DEAR SIR: As an American citizen, and also a miner, I feel it my duty to urge you to do all you can to beat this lead tariff bill, which will soon be before the Senate, because if the tariff is taken off of lead there will be lots of lead mines in this country which can not work, as they can not compete with cheap foreign labor, and this will work a hardship on lots of American citizens.

Yours, respectfully,

C. E. BUSHNELL.

MURRAY, IDAHO, *February 11, 1912.*Hon. W. B. HEYBURN,
Washington, D. C.

MY DEAR SENATOR: The last mail I received the papers were full of the doings of Congress. I was not only surprised but shocked to hear that a measure favoring the reduction in tariff on lead had passed in the House. No one but a prospector and a miner can realize what such a calamity as this means. If this Coeur d'Alene country is to be deprived of the mining industry, it is a blank, for mining is the only industry.

I spent a year in the southern countries—Nicaragua, Honduras, Costa Rica, and Guatemala—and owing to the uncertainty of the Government I came home, knowing that whatever I found or developed I could depend upon the Government to protect my interests. I prospected for a while and finally located the group of eight claims, which contain lead, if anything. For 12 years I have done my best to develop this group; have expended at least \$800 every year, and more some years. Now, am I to understand that my 12 years' privation, work, and worry are to go in the twinkling of an eye. I never heard of such a thing.

In Guatemala when I was there the miners were getting \$1 silver per day and quinine. That was equal to 40 cents American, or gold. In Mexico it was but little better. Now, deplorable as this may seem, those people are clothed by nature and fed by the same party. Now, do you mean to say the American miner is to leave his vocation altogether. I can not believe it. But we are frightened, and have reason to be.

I would ask of you, Senator, to do whatever you can for the saving of the mining industry, not only in this section alone but the entire western country.

Yours, respectfully,

CLARENCE C. SANDES.

MURRAY, IDAHO, *February 11, 1912.*Mr. W. B. HEYBURN,
Washington, D. C.

DEAR SIR AND FRIEND: I am writing you in regard to the duty on lead. If it is taken off, as it seems liable to be, it will kill this camp. Our mines are high in lead values but low in silver, and with cheap lead we can neither work them or sell them.

I will close, hoping that you will be able to defeat the bill.

Yours,

R. D. SIEGER.

BEAR TOP MINE,
Murray, February 11, 1912.

Hon. W. B. HEYBURN:

I am a blacksmith in the silver and lead mine here, and if the price of lead drops and closes the mines my wife and family, as well as myself, will suffer.

Trusting you will do your best to prevent such,
I remain yours, truly,

JOHN STONE.

MURRAY, IDAHO, February 11, 1912.

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: You being a Senator from this State, I feel it my duty, as an American citizen, to ask you to do all in your power to defeat the Underwood bill, which, if passed, will cause most of the mines in this district to close down and throw thousands of men out of employment.

You know what that will mean to this district, as we can not compete with cheap foreign labor, such as Mexico and Spain.

Wishing you success in the fight against this bill,

Yours, respectfully,

JAMES WOTON.

MURRAY, IDAHO, February 11, 1912.

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SENATOR: Feeling that if the proposed tariff bill passes the Senate of the United States the prospector, and small miner in the Coeur d'Alene (especially in the Murray district) will be forced to shut up shop. After an effort of more than a quarter of a century with placers, gold quartz, and finally lead and zinc, we imagined ourselves on the verge of success. We are now suddenly confronted with a tariff bill which, if passed, will efface the old town of Murray off the map, as well as leave the inhabitants "busted."

Now, Senator, while we feel that you always worked for us at Washington, I pray you to make a special effort to drag us out of this hole.

Yours, truly,

DONALD A. FINLAYSON.

MURRAY, IDAHO, February 12, 1912.

Hon. W. B. HEYBURN,
Senator from Idaho.

DEAR SIR: As a miner and prospector who has spent the last 25 years in this district and has been active in its development, I wish to protest the Underwood bill. Every man familiar with mining conditions in Idaho, and especially in this part of the Coeur d'Alenes district, knows that the margin of profit with lead at \$4.50 per hundredweight is small. If the price which we have been receiving is reduced we will be forced to close down, and every other mine in the Murray district will be in the same condition. So you can imagine the condition that will follow.

Yours, very truly,

M. S. SIMMONS.

MURRAY, IDAHO, February 12, 1912.

Mr. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I want to call your attention to the Underwood bill. Should this bill pass and become a law, with presumably a reduction on tariff, it will mean either a cut in wages or a shutdown for the mine owners. Should either take place, it will mean a distress upon all the people, as a whole, concerned about the mines. So I herewith beg you and Senator Borah to protest, for the best welfare of people of this country.

Trusting you will vote against passage of the bill, I beg to remain,

Yours, respectfully,

FRANK DELSNIDER.

MURRAY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: Knowing that the Underwood bill is a menace to me and all those in this district, I kindly beg you to use your best efforts to protect us who are in distress in your home State.

Knowing that you know what this means to us and the development of the State in general, I hope that you will be able to kill this bill, and only wish it was a bill to add more protection for the interests of this State than otherwise.

Truly, yours,

H. GRANFRE.

MURRAY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: In regard to the Underwood bill, I believe it my duty to ask you, in the interest of the miners of this district, to try and beat this bill, as it will work a hardship on the miners, as they can not work with lead less than \$4.

Yours, respectfully,

NICK MAKRICH.

MURRAY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: In regards to the Underwood bill of taking tariff off lead I must say I am one of the many in this district that will feel the great effects of this, as the majority of our mines in this district are very small, and it will be a matter of impossibility for them to run. If lead and silver products decrease in value, as I remember well in 1907, when lead dropped to 3.85 per cent, one of the largest mines in the Coeur D'Alene district shut down, throwing something near 600 men out of employment.

I therefore hope that Congress will try and do something in behalf of the labor workingmen (miners) of this locality.

Very respectfully,

C. W. BRASWELL.

MURRAY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I wish to call your attention to the injury that the Underwood bill will do to the Murray district and the Coeur D'Alenes in general.

We have no large producers in this district. All the mines are small and are barely holding their own, and can not possibly compete with the production of cheap foreign mines.

The small mines of the Murray district, such as the Monarch, Black Horse, Jack Waite, Bear Top, and Paragon, must shut down if lead stays below \$4.

Respectfully,

CHAS. PATTERBERG.

WALLACE, IDAHO, *February 12, 1912.*

Hon. W. B. HEYBURN,
Senate Chambers, Washington, D. C.

DEAR SIR: Will you do what you can to defeat the reduction on lead and zinc as proposed in the Underwood bill now before the Senate, having passed the House of Representatives?

This is a vital matter to the zinc-lead miners and prospectors of the entire West, but more particularly in this district of northern Idaho, which is absolutely dependent on the lead and zinc industry for its upkeep.

Respectfully, yours,

J. W. KEARNS.

BEAR TOP MINE,
Murray, Idaho, February 12, 1912.

Senators W. B. HEYBURN and W. BORAH,
United States Senate, Washington, D. C.

HONORABLE SENATORS: The passage of the Underwood bill, now before the Senate, will bring disastrous results upon this western country. Mexico and Spain have deposits of lead and zinc many times beyond their consumption. Owing to cheap labor conditions, this metal can be delivered in New York with a reasonable mining profit at \$3.15 per 100 pounds. In this western country wages run from \$3.50 to \$4.50 per day of 8 hours, as against 75 cents to \$1 per day of 10 hours in Mexico. The effect of the Underwood bill will be severely realized. It will mean a cessation of the lead-silver and zinc mining industry. The closing of the mines will mean a tremendous falling off of all the numerous industries dependent upon mining. Among these I might mention railroading, lumbering, farming, and the manufacture of mining machinery and supplies. Many will feel the effect; hardly an American home but what will financially realize, either directly or indirectly, the bearing effect of the Underwood bill.

This mine is in the course of its infancy. Several hundred thousands dollars have been spent in plant and development, the mine being on the verge of a commercial success.

Our ore is a very high grade lead with small amounts of silver and zinc, lead being the principal metal. As superintendent of this property, I wish to state that we can not successfully compete with cheap foreign labor, a condition which is certain to result from the passage of the Underwood bill. For that reason and also for the continued prosperity of the West, I vigorously protest. American industry, American workmen, and American interests must be safeguarded.

Yours, very truly,

BENJ. G. HARMON, *Superintendent.*

MURRAY, IDAHO, February 12, 1912.

Hon. W. B. HEYBURN and Hon. W. BORAH,
Washington, D. C.

DEAR SIR: Permit me to address you in regard to the Underwood bill that is to come before the Senate. If said bill is passed, it means the discontinuance of all work for the small and large producers alike, or the same thing, if not worse, the cut of our wages; for if tariff is removed we can not compete with foreign labor, and I ask you in behalf of myself and fellow miners to quench, if possible, this outrage, that will, if passed, make tramps of honest men.

Plugging you the support of the Bear Top miners, Murray, Idaho,

I am, sincerely,

FRANK STONE.

MURRAY, IDAHO, February 12, 1912.

Senator WELDON B. HEYBURN,
Washington, D. C.

DEAR SENATOR: I wish to enter my protest, humble as it may be, to a reduction of the tariff on lead.

To take the tariff off this mineral would be a hard blow to the lead industry in the United States, and particularly to the State of Idaho.

It would mean the closing down of many small mines that are now in the stage of prospects and under the present conditions are barely able to keep moving along in hopes of finding ore in larger quantities and carrying better values. Many, in fact, nearly all those small mines are owned by poor men who have spent their lifetime developing their prospects, and it would be a hard blow at this time to blast the hopes of men who have grown old and spent the best years of their life in the opening up of a new country.

It would also mean the passing of the lead-silver prospecting in Idaho, which practically closes up a new and great portion of this State, which can not or will not be opened in any other way except by the hardy prospector; but take away from him (as taking the tariff off lead would do) his hopes for the future, he will be compelled to look for other fields or turn his attention to some other way of making a living, leaving hidden and buried in the mountains immense mineral values that would mean a tremendous asset, not alone for the State of Idaho, but for the United States as well.

I know that it is needless for me to ask you to help us in this struggle or to use your influence in keeping the tariff on lead as it is at present, for I am sure you will do that, and in doing so I know your constituents of the State of Idaho will always feel grateful and thankful for the good work you have done.

Yours, very truly,

JOHN F. MURPHY,
Miner and prospector.

MURRAY, IDAHO, *February 12, 1912.*

HON. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I pray you use your influence to kill the Underwood bill in the Senate. Any further reduction in value of lead will mean a general shut down of the producing mines, hard times and starvation for the miners, and death to further growth of the lead-mining industry in this State. Therefore I trust you will do what is best for us as workmen and miners throughout this country.

FRANCIS S. NEWTON,
Bear Top Mine.

MURRAY, IDAHO, *February 12, 1912.*

HON. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I pray you use your influence to kill the Underwood bill. Any further reduction in the value of lead will mean a general shut down of the producing lead-silver-zinc mines, starvation for the miners, and death to the future growth of the lead-silver-zinc mining industry in the State of Idaho.

Yours, respectfully,

S. A. MATTHEWS.

THE BEAR TOP MINING CO.,
Murray, Idaho, February 12, 1912.

HON. W. B. HEYBURN,
United States Senate, Washington, D. C.

DEAR SIR: I wish to protest against the Underwood bill as it affects lead. I am running the mill for the Bear Top Mining Co. and am in a position to know that if the bill becomes a law as it passed the House that this mine will have to shut down.

Thousands of dollars and years of time have been spent to develop this property; but the Bear Top is small compared with the great lead industry of the Coeur d'Alene, where thousands of men are directly affected. There is only one or two mines in the Coeur d'Alenes, the greatest lead-producing country on earth, that will be running after the Underwood bill becomes a law.

Hoping you will use all honorable means at your command to defeat the bill, I remain,

Yours, truly,

A. R. DUNN,
Foreman, Bear Top Mill.

IDAHO NORTHERN MINERAL CO.,
Murray, Idaho, February 12, 1912.

HON. W. B. HEYBURN,
United States Senate, Washington, D. C.

HONORABLE SIR: In regard to the lowering of the tariff on lead, I will say that if the tariff is lowered on lead it will practically stop all the producing mines from shipping, as well as other newer properties from further developing their holdings, and also put a complete stop to all other industries in and around the Coeur d'Alene mining district.

I earnestly beg you, as an old neighbor of ours and Senator from our State, to do what is in your power toward stopping the lowering of the tariff on a mineral and minerals which is feeding and clothing thousands and thousands of our hard-working white race.

Hoping that we may unite and win out, I beg to remain,

Respectfully, yours,

O. M. NORDQUIST,
President of the Idaho Northern Mineral Co.

GRANITE & ALLIE CONSOLIDATED MINING CO.,
Murray, Idaho, February 11, 1912.

Mr. W. B. HEYBURN.

DEAR SIR: After years of hard labor at the Granite and Allie mine, at Murray, and with a bright prospect for a big producer in the near future, the danger of the heavy reduction of the tariff on lead looms upon the horizon like a black cloud. Mining, as we must, a large quantity of ore which is not of sufficient value to ship crude, which, in fact, is the same with almost the entire output of the entire district, we must rely, to a great extent, upon the raising of outside capital for development work, and we are sure that a reduction would be fatal not only in our own case, but would cause disaster throughout this great lead belt. As you are our representative and as this is your home, we know that our interests are your interests, and we know you will do all in your power to help us save our means of livelihood and our contribution to the wealth of our country. Hoping this cloud may soon pass, I remain,

Yours, truly,

J. L. STEEN.

THE FREEHAN-SIMMONS CO.,
Murray, Idaho, February 12, 1912.

HON. WELDON B. HEYBURN,
Washington, D. C.

MY DEAR HEYBURN: In a way we feel that we should not ask you to make an effort to try and protect us on the lead question, for the reason that we well know your position on the question, and do know that you will do all it is possible to protect the interests of the country at large as well as the Cœur d'Alenes. However, we would like to state to you in a way the position we would be in here if the Underwood bill should pass. As you well know for the last 12 years we have been trying to open up the Beartop Mine and at last have got in a position where we can ship some ore. We have a wagon haul of $3\frac{1}{2}$ to 4 miles to the railroad which is very expensive. At the present price of lead (since the Underwood bill passed the House) we have a loss on 60 per cent ore of \$5.80 per ton, which you will readily understand with a very small additional drop in the price of lead would close the mine and cause a large loss to all interested in the property, as well as throwing many men out of employment.

We do not wish to make this letter at a personal matter as to our interests, because all of the mines in this part of the country will be in the same position. We can not run the mines with a further drop in the price of the product.

With kind personal regards, sincerely,

J. C. FEEHAN.

STATE BANK OF MURRAY (INC.),
Murray, Idaho, February 12, 1912.

Senator W. B. HEYBURN,
Washington, D. C.

HONORABLE SIR: I wish to register a vigorous protest against the passage of the Underwood bill as passed by the House of Representatives recently.

Situated as I am in the banking business, I can say should this bill pass the Senate and become a law, it would mean that every lead mine and prospect would close down on this the north side of the Cœur d'Alenes.

The ore from this part of the district carrying little or no silver with the lead, it is of vital interest to this part of the Cœur d'Alenes that we have lead protected for fully as much as it is to-day.

I urge you to use all honorable means within your power to defeat this bill.

I am, sir, yours, very truly,

C. B. CRAVEN.

WARDNER, IDAHO, February 12, 1912.

W. B. HEYBURN.

DEAR SIR: I am taking the liberty of writing you a few lines in hope that you will do your best to help to defeat that bill that is before the Senate. If that bill should pass it means destruction to all of us old prospectors that worked hard in here for 27 years. I hope that you and your friend, Mr. Borah, will do as you have always done—help to protect our interests.

Yours, respectfully,

JOHN KEATING.

MURRAY, IDAHO, *February 10, 1912.*Hon. W. B. HEYBURN,
Washington, D. C.

HONORABLE SIR: The fact that the Underwood bill has passed the House and is soon to come before the Senate committee to be considered has already affected this camp seriously.

As an early resident of this district you will recall the hardships endured by the pioneers of this section, and you will remember the persistence and the patience with which these old prospectors have awaited the recognition of the camp's merit. It took these old miners 25 years to get a railroad and it has been only during the past 18 months that the properties on which they have worked so many years promised definite returns.

The Underwood bill with the present metal schedule left intact would practically eliminate this camp and town from the map. The work the prospector has wrought in 25 years of loneliness would be brought to naught. Hundreds of men in this section alone would find their life's work absolutely wasted. These are strong statements, but you will know that they are true.

It would hurt the main developed portions of the Coeur d'Alene mining district to an extent immeasurable, but the real injury to that portion would be slight compared to the harm done here. The mines of the south side carry silver to a value of approximately \$15 per ton in excess of the lead contents; the mines of this side carry practically no silver, and consequently the margin of profit is that much less. Whereas the mines of the south side may be able to operate with a greatly reduced profit by cutting wages and working on their high-grade ore, the mines of the north side would not be able to operate at all. In addition to the havoc which would be wrought on the young producers of the camp the injury would be equally fatal to every prospect, regardless of its ore showing and its merit. Capital will certainly not invest in prospects in a camp where the developed properties can not operate at a profit.

The people of Murray and the north side will appreciate anything you may do toward eliminating from the Underwood bill the objectionable metal schedule.

I am, very respectfully, yours,

W. M. MYERS, *Mining Engineer.*

MURRAY, IDAHO, *February 12, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

Regarding the Underwood bill. Should this bill be passed it means a cut in wages or a general shutdown of all lead mines, on which thousands of men with families are depending for their support.

The powder manufacturers and railroads, etc.

Hoping that you will do all in your power to vote this bill down,

I am, very respectfully, yours,

JUDSON C. MAYS.

SUNRISE MINING CO. (LTD.),
*Wallace, Idaho, February 13, 1912.*Hon. Wm. B. HEYBURN,
Washington, D. C.

MY DEAR SENATOR: Not doubting but what you will do all that you can for us people here in the Coeur d'Alenes, nevertheless I wish to remind you of some things which in a way may have escaped your mind, knowing that there is nothing lacking in your makeup of a fair and honest Senator. My experience in mining commenced in 1867. Then lead, in Colorado or anywhere in the Rocky Mountain region, was not sought after, for it was of little value only for the silver and gold that it contained, until in the seventies. Then with changing profit it has been mined, mostly in connection with other minerals, until the Leadville discoveries, then the Coeur d'Alenes. The Leadville discovery built up a large industrial community with the tariff to keep out foreign lead. The Leadville discoveries made the city of Denver from 5,000 inhabitants to 50,000 within three years, and has made a city now of 175,000 and a very prosperous State of Colorado, all by the protection for the lead product.

Spokane, Wash., was made to start along the road to prosperity by the mines of the Coeur d'Alenes and its community of industrious miners kept at work under a protective tariff for lead, without which this community with all of its many pros-

pering business men, would directly suffer to such an extent that all values would be cut in two or the values would be one-half or less than one-half of what they are now, and all prospecting would immediately cease and no new mines would be opened. The larger mines would necessarily have to keep going for a time, even at a loss, but ordinary mines would shut down with the tariff off lead.

Yours, very respectfully,

F. P. CAUDEE.

SENATOR: Excuse this hasty letter. I am very busy and have not time to rewrite or reconsider.

F. P. C.

MONARCH, IDAHO, *February 13, 1912.*

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SENATOR: The drop in the price of lead caused by the fear that the Underwood bill may pass the Senate and become a law is causing no little anxiety in the Coeur d'Alenes, both among the employers and the miners.

The present drop to \$4 in New York of lead will shut down many mines just on the eve of producing on a commercial basis, and you realize how hard it has been in many cases to get funds for development purposes.

The North Side especially will feel the drop in lead, possibly more than the older producing mines.

Every man in this part of the country is deeply interested in this bill and I hope you will use your best efforts to have this bill defeated, and that as speedily as possible.

Unless the price of lead is restored to the former price many deserving properties will close down and both owners and employees will suffer loss.

Yours, truly,

ALLAN G. KENNEDY, *Postmaster.*

MURRAY, IDAHO, *February 12, 1912.*

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I would like to ask you to do all in your power, as Senator of this State, to put down the Underwood bill, which is to come before the House, as this bill, if passed, will work a hardship upon the mines of this district, as we can not compete with cheap foreign labor.

Yours, respectfully,

JOHN BATH.

THE JACK WAITE EXTENSION MINING Co.,
Murray, Idaho, February 12, 1912.

Hon. W. E. BORAH,
Washington, D. C.

HONORABLE SIR: As an old resident of the Coeur d'Alene mining district, familiar with the evils that follow anything which tends to destroy confidence in the stability of the mining industry, I desire to voice an earnest protest against the passage of the Underwood bill now pending before your honorable body.

Those of us who have seen the evil effects of hostile legislation upon the mining industry do not wish to pass through the harrowing experiences again, as we believe we would have to do should the Underwood bill become a law.

The Coeur d'Alene, as you are aware, is almost wholly dependent upon the mining of lead ores and had just begun to pick up and show signs of the old-time activity after the depressing times which struck us in 1907 when this legislation threatens us with near ruin. As a resident of Idaho and one who desires to see all classes prosper I hope to see the Underwood bill buried so deep it will never again see the light of day. If you assist at the burial and the job is well done, you will have done your State a service that will not be forgotten.

Yours, truly,

R. P. BACON.

THE COEUR D'ALENE SUN,
Murray, Idaho, February 12, 1912.

Senator W. B. HEYBURN,
Washington, D. C.

HONORABLE SIR: The great apprehension felt in all lead and zinc-producing regions following the passage by the lower House of Congress of the Underwood bill will doubtless lead to Senators from the lead and zinc-producing States being flooded with letters from their constituents with appeals to them to use every honorable effort at their command to defeat the measure in the upper House of Congress. I wish to add my appeal to that of others. Should this bill pass and receive the approval of the President it is not necessary for me to say to you it would prove a calamity to the Coeur d'Alene and other lead-zinc producing districts. While it would not perhaps entirely put a stop to operations of mines of the Bunker Hill and Hercules class, it would curtail operations in these, close down the smaller producers, and stop development work on prospects. This would be attended by serious loss to both labor and capital invested in this industry and lead to much suffering. So unfair is the bill in question to the lead and zinc-mining industry and so direct an assault upon the protective principle I can not conceive how any Republican Member of either House of Congress could give it support. It is not my intention to elaborate upon the evils that will flow from this and similar legislation, or to inflict upon you the many strong arguments that can be legitimately urged against the measure, and which I know you understand and are so well able to use, but I do wish you to understand that in the efforts you will make to defeat this measure and preserve to this industry a fair share of prosperity you will have the moral support of an appreciative and united constituency.

Very truly, yours,

J. T. ELLARSON.

MULLAN, IDAHO, February 13, 1912.

Senator W. B. HEYBURN,
Washington, D. C.

SIR: As a citizen of the United States, the State of Idaho, and a resident of the Coeur d'Alenes, I impore you to exert every effort to defeat any legislation involving a cut in the tariff on lead or zinc.

Any such reduction will cause an absolute shutdown of nearly all the producing mines of the district, and the few remaining can not employ half their present working force. As a result about 3,000 men will be thrown out of employment and the greatest industry of our State will be utterly demoralized.

In addition to this, all efforts toward new discoveries and all future development of the vast amount of mineral wealth already in sight would be at a permanent standstill.

While I know that you realize conditions, past and present, in the Coeur d'Alenes as well as anyone in the United States, and that you can not forget the cause and effect of certain conditions on the lead-mining industry in the years of 1893 and 1907, and, that you have always shown your interest in the affairs of the people you represent, I can not forbear an expression of my feelings on this issue.

Very respectfully,

RAY E. NEWBURY, *Postmaster*.

WALLACE BOARD OF TRADE,
Wallace, Idaho, February 14, 1912.

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I inclose herewith copy of resolutions adopted by the executive committee of the Wallace Board of Trade at a special meeting held last night. Pursuant to instructions, I am also sending a copy to Senators Borah, Poindexter, Dixon, Sutherland, Smoot, Jones, Bourne, Chamberlain, and Myers.

Hoping, as we all do, that the friends of the mining industry will be successful in the battle against the proposed tariff revision, and with kindest regards for yourself, I beg to remain,

Very respectfully,

F. W. ROACH, *Secretary*.

BOARD OF TRADE SENDS A PROTEST TO MANY SENATORS—MEETING OF EXECUTIVE COMMITTEE HELD LAST NIGHT AND ACTION TAKEN—MENACE TO MINING INDUSTRY AND INEVITABLE RESULTS OF REMOVAL OR REDUCTION OF DUTIES ON LEAD AND ZINC POINTED OUT.

At a meeting of the executive committee of the Wallace Board of Trade, held in the office of Herman J. Rossi last night, to take action in protest against the passage by the United States Senate of the Underwood tariff revision bill, as it affects the mining industry of the Coeur d'Alene district, the following resolutions were adopted. They will be forwarded immediately to United States Senators Heyburn, Borah, Poindexter, Dixon, Sutherland, Smoot, Jones of Washington, Bourne, Chamberlain, and Myers in time to be presented to the Senate committee, by whom the hearing on the measure is being conducted.

Whereas we see in the possibility of Congress revising the existing tariff so as to make a material reduction in the duty on lead and to place zinc on the free list; and

Whereas the result of this action would be to remove the protection afforded capital and labor working in the Coeur d'Alene district, the greatest lead-producing section of the United States, and to bring it into competition with Mexico and Spain, seriously crippling if not entirely destroying the principal industry of this district, and causing a loss of the millions of capital invested and making valueless the properties of our largest mining companies, as well as the homes of the laborers, who would be unable to subsist upon the wages paid the miners of the countries named; and

Whereas any measure adversely affecting the lead and zinc mining industries would be far-reaching in its effects upon agriculture, timber, machinery, and other industries in all parts of the United States, and would put a stop to prospecting and developing a great mining section yet in its infancy: Therefore be it

Resolved, That the Wallace Board of Trade, representing the business interests of the Coeur d'Alene district, respectfully urge that you put forth every effort in your power to prevent the indorsement by the Senate of the House measure known as the Underwood bill, and to prevent any changes in the present tariff on lead and zinc.

E. R. DENNY, *President*.
F. W. ROACH, *Secretary*.

MOUNT IDAHO, IDAHO, *February 12, 1912.*

Hon. W. B. HEYBURN:

Personal letter regarding the Underwood bill. If there is anything you can do to better our conditions, we will be obliged to you.

WILLIAM LINDSAY.

MURRAY, IDAHO, *February 11, 1912.*

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: As a voter of the United States, I believe it my duty to write you in regard to the Underwood bill, which I believe to be against our country and people. Many of my friends have joined the Socialist Party, another great debtor to this country. To kill this bill and all alike would stop many of them from going astray. If you will kindly do for me what I would do for you everything would be O. K. Thanking you for same, I remain,

Yours, truly,

A. E. WHITCOMB.

MURRAY, IDAHO, *February 11, 1912.*

Hon. W. B. HEYBURN,
United States Senator.

DEAR SIR: I respectfully urge you to use all your honorable power to defeat the Underwood bill. It is unnecessary for me to go into conditions here, as your honor fully understands the situation in this district, and I assume that you understand that a reduction in the tariff on lead means the miners' bread and butter. As it is too often the case, the burden will fall on the weaker shoulders. I feel that you will do all in your honorable power in behalf of the wage earner and his child.

Very respectfully, yours,

ALBERT J. METCALF.

MURRAY, IDAHO, *February 11, 1912.*

The honorable Senator HEYBURN.

DEAR SIR: As I am an employee of a small lead-silver producer near Murray, Idaho, and if the tariff is taken off we know that the small producers will shut down, throwing 70 or 80 per cent of men out of work, we are therefore your supporters in trying to kill the bill.

Respectfully, yours,

GEO. O'BRIEN.

MURRAY, IDAHO, *February 13, 1912.*Senators HEYBURN and BORAH,
Washington, D. C.

DEAR SIR: To make the story short, I wish you would use all of your influence to knock the Underwood bill out, as it means a great deal to the Coeur d'Alenes. I, for one, will have to hunt for new fields.

Yours, respectfully,

D. D. KIEBLER.

MURRAY, IDAHO, *February 11, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I wish to call your attention to the havoc the Underwood bill will create in the Coeur d'Alenes and other lead-mining camps of the country. The Murray district has six or seven small mines, which are barely holding their own, and can not possibly compete with production of cheap foreign labor unless they cut wages, and this is something we, the miners of the Coeur d'Alenes, do not want.

Respectfully,

AXEL RYDBORN.

WALLACE, IDAHO, *February 7, 1912.*

The FINANCE COMMITTEE OF THE UNITED STATES SENATE.

GENTLEMEN: The undersigned, the Granite & Allie Consolidated Gold Mining Co., desire to present to you and urge to your careful consideration the following facts and circumstances concerning the property of this company, and matters concerning the production of zinc, lead, and silver generally in the Coeur d'Alenes.

The Granite & Allie Mining property is situated on what is known as the north side of the Coeur d'Alenes, and has arrived at that point of its development that we feel, under present conditions of prices in the metal market, that it will be able to produce a market for its ores during the next season.

The character of ore of this mine is such that a great expense in labor will be required in mining and milling its production. The work of mining must be carried on by the sinking of a shaft, which requires great expenditure in labor and machinery, and the milling process is such as to require a great deal of machinery and labor in the extraction of the ore.

A large sum has been expended by the company in bringing the property to its present state of development and thus far no profits have accrued. The owners have borne the expenses personally, but, as we have said, if the present metal market is maintained, we are in a position to secure returns for our former investments and also carry on the enterprise which will bring large returns to labor.

For these reasons we feel that we have a right to claim and expect a continuance of the conditions under which we have previously invested our money, and to this end we urge that the present tariff upon these metals be maintained. By order of the board of directors.

Respectfully submitted.

GRANITE & ALLIE CONSOLIDATED GOLD MINING CO.,
By JOHN E. STEEN, *President.*

Attest:

GEO. S. LESHER, *Secretary.*MULLAN, IDAHO, *February 10, 1912.*Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: Kindly enter my protest against the Underwood bill; it is going to close our mines and places of business, as it is said it will do.

Yours, truly,

BERT. BURGSTRON.

MULLAN, IDAHO, *February 12, 1912.*Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I wish to ask that you use our influence as our representative in defeating any measure that is liable to cause the slowing of our mines and throwing we men, who have to labor for a living, out of work.

Yours, respectively,

THOS. DOOLING.

MULLAN, IDAHO, *February 10, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I have worked for the Federal Mining & Smelting Co. (in the Morning Mine) for a long time. I have been looking into this tariff question lately, and have come to the conclusion, if this tariff is taken off lead, that here it will be necessary for the mines to shut down, or to cut down our wages; and if our wages are cut down, we certainly could not live, as with the present high cost of living, and at the present wages it is all we can do to make both ends meet.

Respectfully,

GEO. E. PHIPPS.

MULLAN, IDAHO, *February 10, 1912.*Hon. W. B. HEYBURN,
United States Senate, Washington, D. C.

DEAR SIR: It has been brought to our notice through the press that there is now before the Senate Committee a measure, which, if passed, will reduce the tariff on lead and zinc to such an extent that this industry in the United States will be greatly curtailed, by reason of the import of this commodity from foreign countries, who can produce this mineral at a much less cost than our own country.

The residents of the Coeur d'Alenes, one and all, obtain their livelihood through the mining industry of the district, where it is generally known the mineral is of low grade and the wages paid for all classes of labor are high. It has also been proven in the past that these mines can not operate under a certain price of the metal. It has been explained that this tariff reduction will bring the price of lead below this figure, in which case our mines will be compelled to close down, throwing thousands of men out of work and forcing our business houses to close.

We therefore ask, that you, as our Representative, use your best endeavor and influence toward defeating any measure that will tend to bring about the conditions as stated above. Believing that you will do this, I am,

Yours, very truly,

JAMES A. BEAN.

C. D. MILLER, *Secretary.*KINGSTON, IDAHO, *February 10, 1912.*Senator W. B. HEYBURN,
Washington, D. C.

DEAR SENATOR: The Underwood bill, now before the Senate, reduces the tariff on lead.

The Coeur d'Alenes mines and prospective mines would have to close.

It is a known fact we can not compete with Mexico and Spain when we are paying \$3.50 per day lowest wages for labor and Mexico and Spain paying 50 cents per day. I hope you will use your best efforts to defeat this bill.

I have been a Republican all my life, and have seen the Bunker Hill and Sullivan mines for 26 years at the grass roots.

Had it not been for the protection that the Republican Party has given us the Coeur d'Alenes would be in the wilderness yet, where now they support 15,000 to 20,000 people.

Take the tariff off lead and the Government will have to put in soup houses to feed the hungry.

I remain, yours, truly,

THEODORE BROWN.

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I am taking the liberty of writing you regarding the removal of the duty on lead.

I am deeply interested in the development of several mining districts, and in my judgment such an increase would work a hardship and disaster to that industry.

Trusting you will use your influence with other Senators against the measure.

Respectfully,

C. W. BEELER.

BURKE, IDAHO, *February 10, 1912.*

Hon. W. B. HEYBURN,
Hon. M. E. BORAH,
Hon. B. L. FRENCH,
Washington, D. C.

GENTLEMEN: As a working man depending upon the lead-mining industry for a living, I wish to enter a protest against the passage of the Underwood bill now in Congress reducing the tariff on lead and zinc.

The workingmen in this country can not compete with the cheap labor in Mexico, and the passage of this bill would throw out of employment thousands of workingmen now depending upon the lead and zinc mines for their living.

Trusting that you will use your best efforts to defeat this unjust bill and thanking you for your kindness, I remain,

Yours, very truly,

JAMES KELLY,
Engineer at Hecla Mine.

NORTHERN LIGHT MINING CO.,
Wallace, Idaho, February 10, 1912.

Hon. W. B. HEYBURN,
United States Senator, Washington, D. C.
Hon. W. E. BORAH,
United States Senator, Washington, D. C.
Hon. BURTON L. FRENCH,
Representative, Washington, D. C.

DEAR SIR: The Northern Light Mining Co. owns a silver-lead property on Pine Creek, Shoshone County, Idaho, and has expended nearly \$20,000 for development purposes. We have installed an electric motor, a compressor, hoist and pump, and air drills, besides putting up timber sheds, blacksmith shop, and other buildings. It would be necessary for us to expend several thousand dollars additional before we cut our ore body by drifting from the shaft, but we feel compelled to cease further development awaiting returns of the Underwood bill, which is soon to come before the Senate.

Many of us have expended our all in this property, which would be rendered practically worthless if the tariff is removed. Like many other properties in this district, a large part of our funds come from various parts of the United States, and all investors would lose what they have put into this property unless we can ship ore at a profit.

We earnestly urge you to do all in your power to defeat the bill.

Yours, truly,

LEROY HOOPER, *Secretary.*

CULVER MINING CO. (LTD.),
Kellogg, Idaho, February 11, 1912.

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SENATOR: Relative to the pending legislation involving the tariff schedule on lead, in behalf of our company I beg to state we have developed a mine (lead-silver) during the past year and are still prosecuting such development and preparing for further equipment and erection of a mill, involving large expenditure and investment, in addition to about \$50,000 already expended, before the property can be put on a paying basis.

Our company has been employing as high as 43 men, at \$3.50 to \$5 per day, and, like many others in the Coeur d'Alenes at this time, has the property under bond; and the

pending agitation of the lead schedule and incident market depression has already worked serious prejudice with our eastern stockholders, and it is felt that, should the contemplated congressional legislation prevail, it will inevitably put our company out of business, as well as all the others in the vicinity, most of which are lower grade properties.

Sincerely, yours,

CULVER MINING Co.,
By F. D. CULVER, *Secretary*.

ELK CITY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I am taking the liberty of writing you regarding the removal of the duty on lead.

I am deeply interested in the development of several mining properties in this and other lead-mining districts, and in my judgment such a measure would work hardship and disaster on that industry.

Trusting you will use your influence with other Senators against the removal of duty on lead,

Yours, very respectfully,

CHAS. BROWN, *Pine Creek, Idaho.*

KELLOGG, IDAHO, *February 11, 1912.*

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SIR: I wish you would do your best in keeping the duty on lead, as it will kill our mining industry in this country. As we have struggled hard so far to open up our country, I hope you will do your best in that respect.

Yours, respectfully,

MICHAEL MORAN, *Kellogg, Idaho.*

KINGSTON, IDAHO, *February 11, 1912.*

Hon. W. B. HEYBURN.

DEAR SIR: In regard to the tariff on lead, kindly do your best to protect the men that are trying to open the country for the best interest of the country. Thanking you for your kindness.

FRED MACMUNN.

KELLOGG, IDAHO, *February 12, 1912.*

Hon. Senator HEYBURN.

DEAR SIR: I wish you would do your best in keeping up the duty on lead, as it would kill our mining industry in our country if you don't.

Yours, very respectfully,

LEWING THOMAS, *Pine Creek, Idaho.*

KELLOGG, IDAHO, *February 12, 1912.*

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR FRIEND: As you probably are aware, I own and have been prospecting and developing my property on Pine Creek for over 23 years, which, as a poor man, I had not been able to put into condition (and support my family) to interest capital to property equip and develop it until the past season.

Until recently the outlook to realize in the near future on my years of effort and hardship seemed bright and promising, but the present condition of the lead market and danger capital feels in such investment, with promised tariff reduction, I fear will cripple if not cause the people to whom I have bonded my property to quit, and thus cause a great loss and sacrifice to them as well as hardships upon me.

I know I am only one of hundreds in this district in like situation, and believe, for one, that we deserve better at the hands of our lawmakers.

Yours, sincerely,

GUS SMITH.

MURRAY HARDWARE Co.,
Murray, Idaho, February 12, 1912.

Hon. W. B. HEYBURN,
United States Senate.

DEAR SIR: We ask your best efforts to avoid a reduction in the tariff on lead. The danger point has been reached now, owing to the scare produced by the pending measure, and should same be enacted it would mean the closing down of Idaho's greatest industry until such time that favorable legislation protects us again.

If we are to compete with a product produced by Mexican peons, who work for 50 cents a day of 12 hours, against our miners, who can not exist for less than \$3 to \$3.50 a day of eight hours' work, we must have protection or abandon the lead-silver industry in the United States.

Yours, sincerely,

MURRAY HARDWARE Co.
H. J. Eck, Manager.

WONDER OF PINE CREEK MINING & MILLING Co. (LTD.),
Kingston, Idaho, February 10, 1912.

Hon. W. B. HEYBURN,
Washington, D. C.

DEAR SENATOR: Being a citizen of the Cœur d'Alene mining district for the last 22 years, also being acquainted with the prospects and mines of this country, and part owner in two or three promising properties that are working 10 to 15 men at the wage rate of from \$4 to \$5 per day; and if the proposed bill reducing the tariff on lead and zinc would pass they would have to close down, and would ruin the district in general, as the mines are deep and expensive to operate.

Yours, truly,

ROBERT W. HUNT.

FEDERAL MINING AND SMELTING Co.,
Wallace, Idaho, February 14, 1912.

Hon. W. B. HEYBURN,
United States Senate, Washington, D. C.

DEAR SIR: I have been requested by a committee of Wardner citizens to forward you the inclosed resolution, signed by 329 citizens of Wardner.

Yours, truly,

WM. J. HALL,
Assistant General Manager.

Whereas the Underwood tariff bill, now under discussion in the United States Senate, places zinc on the free list and reduces the duty on lead, and

Whereas the present duties on these metals are, in our opinion, necessary to protect the zinc and lead mining industries against the cheap-labor competition of Spanish and Mexican mines, and

Whereas the enactment into law of these clauses of the Underwood bill relating to lead and zinc would almost entirely destroy the greatest industry of this State and the only industry of this county, thereby causing practically a total loss of the entire amount invested in mining and tributary business and in the homes of the people of this county,

Resolved, That we, the citizens of Wardner, Shoshone County, Idaho, protest against any changes in the tariff on lead and zinc, and

Resolved, That copies of this resolution be forwarded to Hon. W. B. Heyburn, Hon. W. E. Borah, and Hon. Burton L. French, representing Idaho in the United States Congress, requesting them to use their influence to prevent any changes in the present lead and zinc duties.

Emil Sahre, merchant; A. McIntosh, carpenter; Carl Swanson, miner; Wm. E. Maul, merchant; Chas. Weigand, Baker Clothing Co.; C. H. Sauters, miner; T. K. Zuber, miner; J. C. Butz, Seelig Grocery Co.; W. B. Ashley, shoemaker; Stephen W. Nile, miner; John Michaely, merchant; R. R. Price, Price Clothing Co.; D. A. Nunn, Page's Hotel; F. C. Walkup, Page's Hotel; S. V. Long, miner; A. Anderson, miner; J. E. Turner, drayman; Perry Phew, miner; Jan Hartman, miner; Fred. E. Ellis, Page's Hotel; Daniel M. Eachern; Thomas Bellis, miner; J. J. Matuly, Harris Bros. Drug Co.; Wm. A. Reid; Henry Seybertt, Peoples' Cash Market; O. J. Bishop; Dave Smallwood; Chas. E. Metzgor; B. Flaig, jeweler; H. E. Abell, miner; Wilber Stewart;

E. B. Slinck, cigar store; M. W. Kelley, miner; A. F. Hitt, miner; S. M. Kerr, miner; Al. Heminger, miner; O. Martin, miner; Geo. Brown, engineer; T. R. Black; F. M. Trayer, miner; Steve Shaw, miner; W. J. Rowe, miner; Thos. Rodgers, miner; Ben Bondam, miner; Geo. Westvick, miner; John Sowden, miner; Walter Woolrock, miner; Gordon Gilbert, miner; C. C. Chenington, miner; Erick W. Johnson, miner; F. S. Hackett, miner; D. McIntyre, miner; I. O. Ruston, miner; J. H. Sweney, miner; E. L. Brown, miner; Francis Francis, miner; Claude W. Ashby, miner; Alz. Goldkuhl, miner; H. W. Jewell, miner; Ernest C. Lewis, miner; S. K. Helmer, miner; A. J. Rowe, miner; Thomas Weaver, miner; John Roberts, miner; P. E. Verhage, Oph. Dr. N.; Martin Johnson, miner; James Kent, miner; W. S. Goldsmith, miner; Peter Juln, miner; Duncan McLeean; Jas. P. Phelps; W. E. Farran; E. R. Redding, miner; Thos. J. Kirk, miner; C. A. McKassom, miner; John Ruzic, miner; Joe Smitt, miner; Jesse Fisher, miner; Arthur H. Scott, miner; Carl Boling, miner; T. F. Dolan, miner; W. G. Thomas, miner; H. B. Hall, miner; C. A. French, miner; P. M. Scott, miner; Morten Clements, miner; Carl Chinn, miner; A. T. Combs, miner; Philip L. Demaree, miner; A. F. Wilbur, miner; Percy Neil, miner; T. E. Pack, miner; D. Albert Thomas, miner; Clyde Kelley, miner; T. J. Rummerfeld, miner; R. Jones, miner.

George Kreiss, miner; A. Freuclenhammer, miner; James H. Harger, miner; George E. Tucker, miner; George Newsome, miner; Stephen Miller, miner; William R. Warren, miner; C. L. Buck, miner; W. A. Graham, miner; George Lorins, miner; Charles A. Erwin, miner; Matt Hendrickson, miner; John Nygard, miner; George E. Howard, miner; Ed Beck, miner; Richard Roberts, sr., miner; David William Evans, miner; Richard Roberts, jr., miner; Lee Forsberg, miner; Charles Hendrickson, miner; S. H. Stevens, miner; R. O. Arnold, miner; C. H. Norris, miner; Harry Herrington, miner; Theo. Loer, miner; John W. Hudgins, miner; J. E. White, miner; Nicholas Laskey, miner; T. Ross, miner; Edward Bellis, miner; Israel Trim, miner; Frank Johnson, miner; J. Morice, miner; William Carr, miner; Rainbold, miner; Lawrence Keegan, miner; Sidney Clark, miner; George F. Alkire, miner; Hugh Williams, miner; Victor Anderson, miner; E. A. Seger, miner; Joe Baxter, miner; John Fox, miner; J. R. Locke, miner; E. A. Dudley, miner; W. A. Sinks, miner; John Pauron, miner; A. C. Shuck, miner; Alfred Luxton, miner; W. A. Payne, miner; L. C. Griffiths, miner; Clyde McKassen, miner; Emmett Reilly, miner; John Lewis, miner; William R. Jones, miner; C. E. Plummer, miner; W. T. Jones, miner; C. F. Shreve, miner; Lee Nylund; V. H. R. Matthews; H. Bishop; William F. Gardner; George Porter; William Duft; J. E. Mitchell; J. M. Hanifin; A. T. Swinerton; C. C. Plemmons; C. M. Carney; A. E. Lenander; F. Gerner; R. E. Weniger; Frank A. Metcalf; I. C. Purington; D. W. Peepler; Alfred Ruch; J. E. Donovan; William Cavanaugh; William J. Duncan; Vens Barich; Thomas Bellis; Martin Steibert; Frank L. Foreman; J. W. McKay; H. N. Anderson; Walter Brown; Ton Baker; Henry Iseman; Thomas J. Hackett; John T. Williams; Owen Owens; J. L. King; George Wilson; J. A. Anderson; John Losh; Fred Ruch; W. B. Williams; J. Osburn; John Johnson; John Bukovec; Svem Studor; M. H. True; Thomas Banner; Joseph H. Roscoe; Owen J. Jones; Harry Pyall; Fred Mast; J. E. Miller; Daniel L. Smith; Paul Kolopatin; Knut Ronning; William Williams; C. H. Baker; Abe Wegass; C. A. Fish; Joe Monaghan.

Joe Bruder, Sam Boston, John Blomberg, Nels Nelson, A. R. McDonald, Nick Petrinovich, John Dieringer, Morris J. Williams, John Jandoz, Theo. Coman, Fred Roas, Arch. Clarkston, G. H. Foster, V. K. Eberlein, F. E. Buob, Joe Rey, J. B. Johnson, Alex Peterson, J. R. Hardie, Wm. Zoellner, G. H. Brislemor, Gus Zoellner, Wells Beck, R. Grill, Paul Tietzer, Owen W. Jones, Don Sivinca, C. N. Shears, James Deeble, Charles Woolcock, Oscar Charlton, H. C. Pemy, James McCashin, H. Richardson, William Sander, J. B. Laskey, W. W. Stevens, Leslie Rodgers, Thos. B. Granville, W. F. Williams, Robert Williams, Fred W. Loer, Axel Goldsby, W. D. Smith, A. R. Bell, Evan Roberts, Thomas R. Hughes, R. P. Jones, J. Rogers, Robt. Greenslade, Matt

Sever, Thos. Glasson, B. O. Shuck, W. T. McLachlin, Chas. Trayer, August Luisier, John Robertson, Fred Williams, W. M. Johnson, J. C. Johnson, John Severs, Martin Gornek, Wm. Chestnay, John Beasley, F. B. Smith, John Warzeha, David Robertson, Omar D. Chism, Willie Stiebert, John G. Jones, Hearley Crane, A. D. Campbell, T. H. Syper, Philip M. Jung, W. D. Johnson, Ole Hanson, Arthur Bolander, Geo. Meritt, Fred Angore, G. E. Edwards, A. T. Chism, A. L. Smith, Harry Phillips, Chas. H. Andrews, H. S. Holford, J. C. Lauther, C. W. Rutan, Earl Woodring, W. D. Erwin, Samuel Painter, Geo. R. Wilcox, R. E. Blocker, U. J. Dye, J. J. Grice, Frank A. Reha, Hughie Williams, Harry Parry, F. R. Wright, Fred B. Yerian, F. J. Osborne, F. H. Woodward, Stanley Walson, S. J. Osborne, J. E. Jones, John Cohen, B. A. Freeman, L. A. Savage, J. Heath, Harry Bee, J. C. Dove, Thomas Yerian, J. C. Gupton, T. E. Grover, Adolph Sanger.

[Telegrams.]

WALLACE, IDAHO, *January 28, 1912.*

W. B. HEYBURN,
United States Senator, Washington, D. C.:

Underwood bill, which puts zinc ore on free list, if it becomes a law, will kill the zinc industry of Idaho, for without protective duty not a single zinc mine in Idaho can pay running expenses. Kindly use your best efforts to defeat the bill. If I can be of any assistance let me know. Wire answer collect.

H. F. SAMUELS.

WALLACE, IDAHO, *February 6, 1912.*

Senator W. B. HEYBURN,
Washington, D. C.:

At a regular meeting of Wallace Typographical Union, No. 617, held Tuesday, February 6, the following resolutions were adopted by unanimous vote and the secretary instructed to forward them to our Senators and Representatives in Congress:

Whereas it is apparent that the lead and zinc mining industry of this, one of the greatest lead-producing sections of the United States and of the world, is threatened with curtailment and possible ruin by the proposed reductions in the tariff on lead and zinc existing under the Payne-Aldrich bill; and

Whereas the means of livelihood of thousands of American workingmen are at stake, and the loss of their positions through the inevitable curtailment of production is certain if the proposed law is passed: Therefore, be it

Resolved, That Wallace Typographical Union, No. 617, hereby protests against the measure known as the Underwood bill, as passed by the National House of Representatives and reported to the Senate; be it further

Resolved, That our Senators and Representatives be urged to use their utmost endeavors to prevent the said measure from becoming a law and to prevent a lowering of the existing tariff on lead and zinc ores.

R. C. CHAMBERS, *Secretary.*

MURRAY, IDAHO, *February 11, 1912.*

Senator W. B. HEYBURN,
United States Senate, Washington, D. C.:

Removal of duty on lead will be disastrous to this mine and to district as a whole. Mexican mining camps can deliver lead in New York at \$3.15 and earn reasonable profit, due to nature of their deposits and cheap labor. Impossible to operate under these conditions. Why should we develop Mexico?

BENJAMIN G. HARMON,
Superintendent Bear Top and Orifino Consolidated Mining Co.

PARAGON, IDAHO, *February 11, 1912.*HON. W. B. HEYBURN,
Washington, D. C.:

If the Underwood bill is passed, it means the closing down of all lead and zinc properties here on the north side of the Coeur d'Alene mining district, throwing hundreds of miners out of employment and delaying development of this lead and zinc district, which is just in the infancy of its development.

L. W. STEDMAN,
*Manager Paragon Consolidation Mining Co.*SPOKANE, WASH., *February 12, 1912.*Senator W. B. HEYBURN,
Washington, D. C.:

Reduction in the lead and zinc tariff, as provided by the Underwood bill, will be a severe blow to our Idaho branches. By its defeat business conditions in northern Idaho will not only be preserved but further activity will be stimulated, and we hope you are vigorously opposing it.

THE UNITED STORES CO.

MURRAY, IDAHO, *February 13, 1912.*Senator HEYBURN,
Senate Chamber, Washington, D. C.:

Have just made four-day trip through the Murray district, visiting nearly all the mines and prospects. This trip, and 12 years' experience in that district as engineer for nearly all these properties, enables me to state certainly that if Underwood bill in present form becomes law every property in this district and Pinecreek district must close down at enormous loss. Over \$1,000,000 development work must be abandoned. Murray know camp small mine owned by poor men, miners, and owners working harmoniously. Over half miners have put all their surplus earnings in a development of prospect. Seventy-five letters protest sent you last three days

CHAS. F. O. MERRIAM,
*Mining Engineer.*WALLACE, IDAHO, *February 14, 1912.*Hon. W. B. HEYBURN,
United States Senate, Washington, D. C.:

The Wallace Trades and Labor Council, embodying 20 labor organizations, desire to emphatically protest against the measure pending in Congress known as the Underwood bill as an immediate and very great menace to the interests of every laboring man in the Coeur d'Alene district. We respectfully urge you to put forth your best efforts to prevent its passage in the Senate.

IRVING WILSON, *President.*SPOKANE, WASH., *February 14-15, 1912.*Hon. W. B. HEYBURN,
United States Senate, Washington, D. C.:

As president of Coeur d'Alene North Fork Mining & Smelting Co., owner of the Monarch mine, near Murray, Idaho, I desire through you to protest the present lead schedule of Underwood bill now before Senate Finance Committee. We have expended over \$500,000 and 10 years' time in development work, the major part of which represents wages paid to American citizens and taxpayers. We are just entering the productive stage, and if said bill becomes a law it will mean the importation of foreign lead ores and lead mined by cheap labor and the closing of every mining property in the Murray section of the Coeur d'Alene district, throwing out of employment several hundred men, besides the practical loss of over \$2,000,000 spent in the development of this section of the Coeur d'Alenes. With lead at \$4.50, the north side mines can make a small profit, but at 4 cents or less, which would obtain if this bill becomes law, it would be impossible to operate the north side properties at a profit. Our crude ore as mined and sent to mill will average about \$4.80 per ton total value when lead brings \$4.50. Mining, milling, smelting, and freighting costs average \$3.80 per ton crude

622 DUTIES ON METALS AND MANUFACTURES OF METALS.

ore. This does not leave any margin when lead is quoted at 4 cents or less for depreciation of plant, interest on investment, to say nothing of profit. We urge upon you to use every honorable means to defeat the passage of this bill and the decrease of the tariff on lead in ores or bullion.

E. P. SPALDING.

SPOKANE, WASH., *February 15, 1912.*

HON. W. B. HEYBURN,
Senate, Washington, D. C.:

Please use every honorable means in your power to prevent passage of lead schedule of the Underwood tariff bill. The closing down of the Couer d'Alene lead mines would be a serious blow to the entire northwestern country, and every business interest in this community would be vitally affected. Every citizen of Spokane wishes you good luck in this fight and hope that you will be successful in defeating the passage of the present bill.

SPOKANE FLOUR MILLS,
By LENS.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 11

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

WEDNESDAY, FEBRUARY 21, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

highly manufactured product, the labor cost running as high as 60 to 70 per cent of the cost of the finished article. While occasionally in this country mechanical conditions are such as to permit of a good margin of safety, nevertheless the greater number of users run on smaller margins than are used abroad. This entails such close inspection, careful handling, and extra care in manufacture that it is doubtful if any cheapening in cost of manufacture could be made to meet foreign competition, except at the expense of wages or the quality of the rope.

There are at present 12 manufacturers in this country engaged in making wire rope and 14 or more making high-grade wire. The industry is carried on in 9 States and, directly or indirectly, a large number of wage earners are employed.

The CHAIRMAN. What States are interested in this industry?

Mr. WHYTE. New Jersey, Massachusetts, Pennsylvania, Illinois, Missouri, Washington, California—

The CHAIRMAN. How many men are employed in the industry?

Mr. WHYTE. I should say there are about 5,000 men employed in the wire-rope industry.

In rope making alone the labor proportion runs high, and whereas under the Dingley and Payne acts rope making received a protection of 1 cent per pound in addition to the duties on the wire used, it is now proposed to entirely cut off this rope-making duty and impose simply 20 per cent ad valorem, exactly the same as on wire.

Rope makers' wages show the same disparity here and abroad as do the wages of wire drawers and wire-mill laborers. At the works of Haggie Bros. (Gateshead-on-Tyne) the following scale was paid in 1911:

Bobbin winders (girls), \$1.50 per week (25 cents weekly bonus for full time).

Stranders (men and girls), \$2 per week (50 cents weekly bonus for full time).

Closers (men), \$5.50 to \$6.50 per week—no bonus.

The maximum wages are as follows—and this has reference to factories other than the factory of Haggie Bros., where they use girl labor for the work I have mentioned:

Winders (boys), \$3 per week.

Stranders (men and girls), \$5.75 per week.

Closers (men), \$6.50 per week.

The average is, of course, somewhere between the two. A fair average wage rate in this country is:

Bobbin winders, \$9 to \$9.72 per week.

Stranders, \$11 to \$12 per week.

Closers, \$14.70 to \$16.80 per week.

Notwithstanding this disparity, it is proposed to absolutely dispense with any protection for purely rope shop mechanics.

The proposed 20 per cent ad valorem duty would give the Canadian rope works an advantage, as the duty on rope from the United States into Canada is 25 per cent as against the proposed 20 per cent on rope from Canada into the United States. Canada is protected by a dumping clause as well.

The labor of rope making, in addition to the cost of wire, runs from 1½ cents per pound for the largest sizes, to 5 cents per pound for the smallest size. The foreign cost for the same labor is not more than 50 per cent of the above costs.

Therefore a duty of 100 per cent would be necessary on the foreign labor cost which, conservatively estimated, averages 60 per cent of the finished cost of wire rope in the United States, and presumably is nearly the same in England and Germany, in order to equalize the cost of production of wire rope in the United States and the above-mentioned countries.

For example, \$100 worth of wire rope (at cost) in the United States would stand:

Labor.....	\$60.00
Material.....	40.00
	100.00
Abroad:	
Labor.....	30.00
Material.....	40.00
	70.00

It will therefore be seen that the present duty on wire rope practically equalizes the difference in the cost of labor here and abroad.

I simply want to add that I think it a very grave mistake to alter this duty on account of some special conditions in the wire-rope business. For instance, if we get into competition with the makers in Great Britain and Germany they can land rope f. o. b. New York at a great deal cheaper rate than we can, for instance, from Chicago; and they can ship it to Pacific coast points, such as San Pedro, San Francisco, and Seattle, at a very much less rate than we have to pay from Chicago to these points after we have paid the freight from the mill to Chicago. It is self-evident that where manufacturers are competing the conditions must be equalized. If the duty on wire rope is reduced we must have equalization somewhere. We must either reduce our wages or we must reduce the quality in order to meet the conditions which will apply from abroad. I think we American wire-rope manufacturers have a reputation for high quality rope that is not equaled anywhere.

Senator McCUMBER. Is it possible to reduce the quality, considering the uses to which it is put?

Mr. WHYTE. Yes, sir; you can reduce the quality of the wire by reducing it faster.

Senator McCUMBER. I do not think you understand me. I am admitting, of course, that you can reduce the quality. But would it be fitted for the use for which you sell it—

Mr. WHYTE. Yes, sir.

Senator McCUMBER. If it is made of a poorer quality?

Mr. WHYTE. It would be fitted for it, but it would not be reliable.

Senator McCUMBER. Then if it would not be reliable it would hardly be fitted for it, would it?

Mr. WHYTE. No, sir; but that would not prevent a lot of people buying a lower grade of rope if they were able to get it at a lower price.

Senator McCUMBER. In other words, you could sell a product that would be dangerous to the public and dangerous to the users?

Mr. WHYTE. Yes, sir; because a wire rope passing over the sheaves with heavy loads is an entirely different proposition from a piece of wire that goes into a fence, where, if it holds together until it gets there, that is the last of it.

Senator McCUMBER. But if you were compelled to make a cheaper article, and therefore an article which would be less fit for its purpose, you would drive your customers into the foreign market to get a better quality, would you not?

Mr. WHYTE. No; I do not believe we would, because I do not think American manufacturers would ever cheapen their product.

Senator McCUMBER. I am assuming that they would. I say if they would, you would drive your customer into the foreign market?

Mr. WHYTE. You might drive him there temporarily. As a matter of fact, there are such ropes made in England as I have described; but the probabilities are that if this tariff were reduced those would be the kinds of rope that would come into this country, and the American consumer would probably find out, to his cost, that it was a very dear investment.

Senator McCUMBER. Will you please give to the committee the general uses of those ropes or cables, whatever you call them?

Mr. **WHYTE**. The general uses are for hoisting purposes almost altogether—in elevators, in mines, on derricks, on dredges, and, in fact, for all hoisting purposes. Wherever loads are hoisted, wire rope is now used.

Senator **McCUMBER**. What is the value of the production in the United States?

Mr. **WHYTE**. I have no means, Senator, of arriving at the value.

Senator **McCUMBER**. You do not know the consumption, then, of the United States?

Mr. **WHYTE**. Not of the entire United States; no, sir. We have no means of knowing what the other manufacturers are doing.

The **CHAIRMAN**. Are there any importations of this article?

Mr. **WHYTE**. Yes, sir; there are some. There are some importations coming into New York and the seaboard towns of the Atlantic, as well as to Seattle.

The **CHAIRMAN**. Do you export any cables?

Mr. **WHYTE**. We export no cables except once in a while to Panama, and sometimes to Mexico.

Senator **McCUMBER**. You do not export any, and you do not know of any other American manufacturers that export any, to Europe?

Mr. **WHYTE**. I think not. I do not think so.

The **CHAIRMAN**. I suppose you export some to Canada, do you not?

Mr. **WHYTE**. We send none whatever to Canada. We can not compete there.

Senator **HEYBURN**. Where do you manufacture your product?

Mr. **WHYTE**. In Illinois, at Coal City.

The **CHAIRMAN**. He just stated that there were 12 concerns operating in nine States.

Senator **HEYBURN**. Do you make flat cable as well as round?

Mr. **WHYTE**. We make round cable only.

Senator **HEYBURN**. They use the flat cable in the mines. That probably accounts for the fact that you do not know about the cables used in the deep mines.

Mr. **WHYTE**. Oh, yes; Senator. I would say that the use of the flat rope is going out to a very large extent.

Senator **HEYBURN**. I have heard it stated that if you go to the mines you will find that the deep shafts are equipped with flat cables.

Mr. **WHYTE**. Some of them are. The deep mines in the copper region of Michigan are practically all equipped with round cables now.

Senator **HEYBURN**. Is that a change? Did they formerly use flat cable?

Mr. **WHYTE**. They formerly used flat cable in some of their mines.

Senator **HEYBURN**. They use the flat cable in the Comstock mines still?

Mr. **WHYTE**. I am not familiar with the conditions out West.

Senator **HEYBURN**. Well, they are the real deep mines of the world.

Mr. **WHYTE**. I do not think they are any deeper than the Calumet and Hecla or the Red Jacket mine, up there in northern Michigan.

Senator **HEYBURN**. They are deep enough. Some of them are over 3,000 feet deep.

Mr. **WHYTE**. The Red Jacket shaft in the Calumet region is over 6,000 feet deep.

Senator **HEYBURN**. They have been digging those mines deeper since I knew them. I admit; but I have visited most of the mines in

the United States at one time of another, and my observation has been that in the deep mines they have used the flat cables.

Mr. WHYTE. Oh, yes; there is no doubt about that. That is especially true out there in the western regions. I simply want to say in closing that—

Senator HEYBURN. Before you close I want to ask you a question. I was not here at the beginning of your testimony. You manufacture round cables of all sizes, do you?

Mr. WHYTE. Yes, sir.

Senator HEYBURN. For hoisting purposes in mines, for elevators, and for all processes of elevating?

Mr. WHYTE. Yes, sir.

Senator HEYBURN. Are you one of the larger manufacturers in the United States?

Mr. WHYTE. No, sir; I am not. I am one of what you might call the smaller ones.

Senator HEYBURN. And you come here without any data as to the production in the United States?

Mr. WHYTE. I have no means whatever of finding that out, Senator; no means whatever.

Senator HEYBURN. You do not know about the imports, do you?

Mr. WHYTE. Yes; I know there is some rope imported.

Senator HEYBURN. I know; but do you know what you have to compete with?

Mr. WHYTE. Yes, sir.

Senator HEYBURN. Do you know the concrete proposition of what you have to compete with, as a basis for determining whether you need protection or not?

Mr. WHYTE. I have just given those figures, Senator, in my testimony, which, unfortunately, I read before you came in.

Senator HEYBURN. Yes; that is, in regard to the imports?

Mr. WHYTE. In regard to the cost of manufacturing wire rope in England and in Germany as compared with the cost of manufacturing in the United States.

The CHAIRMAN. He went very fully into that, Senator. It is in the record.

Senator HEYBURN. All right. I was not here at the time. I merely wanted to know what proportion of the general scope this testimony represented—whether it represented a small portion or a large portion.

Mr. WHYTE. The only other thing I want to say is that I know from my own personal experience the difference in conditions abroad and here; and if any Senator or any Representative had had the same personal experience, I do not think he would want to bring American workingmen to those conditions. I have lived and labored abroad as well as here, and I know the difference in conditions is so vast that if it were realized there would not be very much talk about putting labor here upon the same level as on the other side.

Senator WILLIAMS. Do you know of anybody here that is trying to put our labor on a level with labor on the other side?

Mr. WHYTE. It seems to me, Senator, that the result would be inevitable.

Senator WILLIAMS. Ah! That is your inference, is it not?

Mr. WHYTE. Yes, sir.

Senator WILLIAMS. But do you know of anybody that is intending to put American labor upon the same level with foreign labor?

Mr. WHYTE. I did not say they were intending to do it.

Senator WILLIAMS. Have you ever exerted yourself to protect American labor by keeping foreign labor out of the American market in any way or to prevent the importation of the foreign laborers that are coming to our shores every day?

Mr. WHYTE. I have never imported any foreign labor.

Senator WILLIAMS. Have you ever exerted yourself to prevent its importation?

Mr. WHYTE. I have never had an opportunity.

Senator McCUMBER. What power could you exercise in preventing the importation of laborers into this country?

Mr. WHYTE. I do not know of any. I never had an opportunity to do it.

Senator HEYBURN. Advocating a protective tariff duty is one way of keeping them out, is it not; or is that a way of bringing them here?

Mr. WHYTE. Why, that is rather a hard question to answer.

Senator HEYBURN. I will not require you to answer it.

Mr. WHYTE. I do not know.

Senator WILLIAMS. I did not understand your answer a moment ago to Senator McCumber. I understand it now. You had no influence as a legislator or otherwise to stop immigration?

Mr. WHYTE. No.

Senator WILLIAMS. And you have no control over the tariff, either, have you?

Mr. WHYTE. No, sir.

Senator WILLIAMS. You are here, however, trying to advise about it, are you not?

Mr. WHYTE. I am here to talk about that.

Senator WILLIAMS. And with the view, as you say, of protecting American labor?

Mr. WHYTE. Yes, sir.

Senator WILLIAMS. Well, then, could you not come just as well before some other committee of the Senate with a view of protecting it by operating the importation of foreign labor, if that is your purpose?

Mr. WHYTE. I never knew, Senator, that there ever was such a bill before the Senate.

Senator WILLIAMS. Let us be frank with one another. You are engaged in a certain business and make a certain profit?

Mr. WHYTE. Yes, sir.

Senator WILLIAMS. And you think that if the tariff is reduced your prices will have to be reduced?

Mr. WHYTE. They will be bound to be reduced.

Senator WILLIAMS. And if your prices were reduced your profit would have to be reduced?

Mr. WHYTE. I do not know whether it would or not.

Senator WILLIAMS. You do not know whether it would or not?

Mr. WHYTE. No; because the profit is so close now that there is not very much room for any further reduction.

Senator WILLIAMS. It would have to be reduced or else somebody else would sell the goods, according to your view.

Mr. WHYTE. Or we would reduce the wages of our men.

Senator WILLIAMS. Or you would reduce the wages of your men, provided the men would let you.

Mr. WHYTE. Exactly.

Senator WILLIAMS. But, at any rate, even if you reduced the wages of your men, the first step toward that would be the reduction of your prices, would it not?

Mr. WHYTE. We would simply have to find out "where we were at" with reference to our cost.

Senator WILLIAMS. Unless your prices were reduced you would not be harmed, would you, by a reduction of the tariff?

Mr. WHYTE. No.

Senator WILLIAMS. Then your reason for coming here is that your prices, in your opinion, would be reduced, if the tariff was reduced?

Mr. WHYTE. Absolutely. It is bound to follow.

Senator WILLIAMS. And if your prices were reduced your profit would be reduced, perhaps even to the point of extinguishing it, from your standpoint?

Mr. WHYTE. Not necessarily.

Senator WILLIAMS. Then you could still continue in business at a profit even with a reduced tariff?

Mr. WHYTE. Not unless we reduced the wages of our men.

Senator WILLIAMS. And that would depend upon the men to a large extent, would it not?

Mr. WHYTE. I do not know whether it would or not. If the men did not want to work, and got out of the business and went into something else, why—

Senator WILLIAMS. Do you pay any higher wages now than the labor market calls for?

Mr. WHYTE. That is a hard question to answer.

Senator WILLIAMS. Do you pay any higher wages than are paid by your competitors who are doing the same business?

Mr. WHYTE. We are paying higher wages than some; yes.

Senator WILLIAMS. And lower wages than others?

Mr. WHYTE. No; I think not.

Senator WILLIAMS. Do you not get your labor at as low a wage as you can?

Mr. WHYTE. No; I do not think so.

Senator WILLIAMS. You are, then, deliberately paying higher wages than you could get the work done for?

Mr. WHYTE. I want to say this, Senator: I am not one of those men who want to get labor at the lowest possible cost, because I have been a working man myself, and I have always tried to treat my men fairly. I think to-day that if I wanted to force wages down some it could be done, but I am not going to do it until I am compelled to do it.

Senator WILLIAMS. Of course not, because you do not want any struggle with your laboring men, and strikes and lockouts, and all the balance of it. Everybody understands that. But do you state—you are merely upon your honor—that you are paying any more wages than you can help, in your business?

Mr. WHYTE. I would merely repeat that I believe if I wanted—

Senator WILLIAMS. I did not ask you about your faith or creed or belief. I asked you about your business. You know what you are

paying your men. Could you get other men equally efficient, equally good, for your purposes at less wages?

Mr. WHYTE. No; I could not.

Senator WILLIAMS. That is what I wanted to get at. I wanted to get at it as a matter of fact—not a matter of belief.

Mr. WHYTE. No; because we are the only wire-rope shop in that part of the country, and I could not get men outside of the men that I have at any wage.

Senator WILLIAMS. Your factory is about in the center of the State of Illinois, is it not?

Mr. WHYTE. No; it is 63 miles from Chicago.

Senator WILLIAMS. From Chicago?

Mr. WHYTE. Yes.

Senator WILLIAMS. What is the character of the labor that you are working? About what percentage of it is native-born American and what percentage foreigners? Give us some idea of that.

Mr. WHYTE. I do not think we have a foreign-born man or boy in our employ—not one.

Senator WILLIAMS. Does your business call for peculiarly skilled labor?

Mr. WHYTE. It calls for skilled labor; yes, sir.

Senator WILLIAMS. I thank you.

STATEMENT OF MR. GARRETT COCHRAN, OF WILLIAMSPORT, PA., REPRESENTING THE WILLIAMSPORT WIRE ROPE CO.

Mr. COCHRAN. Gentlemen of the committee, wire rope is necessarily made of the highest grade wire obtainable, and must not be compared in any way to the common wires used for fencing, etc. The wire which we use in the construction of our ropes is drawn to our own specifications as to tension, torsion, elongation, etc., and must absolutely be of a uniform quality; otherwise it could not possibly be used for wire rope.

The various wire-rope manufacturers throughout the United States guarantee and stand back of their product, and have their ropes designated by a special mark. The trade in general know these ropes by their marks; and should any rope, for some reason or other, fall below its predecessor in point of service, the manufacturer is immediately notified, and invariably makes good for this short service.

A great many human lives depend on the integrity of the wire-rope manufacturers. This is obviously true in all mining operations where men are lowered to great depths and raised therefrom; but it is familiarly true to everyone, including your honorable committee, whenever they step into an elevator. Wire rope is the means by which many thousands of people in our cities are safely conveyed to their places of occupation and business; and that safety has been brought about by the excellence of this highly specialized product.

Wire rope is without doubt one of the most expensive products of steel, owing to the fact that the labor charges alone in manufacturing the wire from the ore up to its completed state will aggregate 60 to 70 per cent of its value.

Our labor charges for working the wire into its finished state as wire rope show that our employees are paid from 93 to 172 per cent more than employees in English wire-rope factories.

Should the proposed tariff be adopted, it would mean that at least two-thirds of the wire-rope plants of this country would be compelled to discontinue business, as the consumer could import all of his wire rope at considerably less than we could manufacture it. Take, for example, 1-inch diameter 6 by 19 crucible cast steel hoisting rope: The actual cost of this material to the English manufacturer, including the proposed duty, f. o. b. New York City, is \$64.20 per 1,000 feet; whereas our cost is \$80.72 per 1,000 feet, or a difference of 26 per cent, or 1.045 cents per pound. These figures do not include an overhead charge in either country.

Within a very short time after this law would go into effect all of our skilled employees, whom it has taken years to educate in their trade, would be compelled to enter another field of labor at a great reduction in wages.

A reduction in the price of wire rope would not appreciably reduce the cost of mining, dredging, conveying rigging for ships, or for elevator purposes, inasmuch as wire rope forms a very small portion of the cost of these operations.

Our records show that the actual cost of wire rope in mining anthracite coal is less than 0.01 cent per ton, and for bituminous coal, 0.001 cent per ton. The actual cost for wire rope on elevators (4 elevators in Williamsport, Pa.) show that these elevators are operating at a daily cost of 2.3 cents to 7.94 cents.

I can only indorse what Mr. Whyte has said, and I shall be glad to answer any questions that I am able to answer.

Senator McCUMBER. Can you give us the production of these articles in this country?

Mr. COCHRAN. No, sir; I can not.

Senator McCUMBER. Can you give us the importation into this country of like articles?

Mr. COCHRAN. I know England last year exported to the United States about \$100,000 worth of rope.

Senator McCUMBER. I suppose you can give us something of an estimate of the amount produced in the United States, inasmuch as you are a manufacturer yourself. You know how much your mills produce; you know the number of other mills in the United States and their capacity, and you can therefore as an expert give us some idea of the amount produced in the United States?

Mr. COCHRAN. We made last year about \$400,000 worth of rope; and I think we do about 5 per cent of the business of the United States.

Senator McCUMBER. And you produced how much?

Mr. COCHRAN. \$400,000 worth of rope.

Senator McCUMBER. The total production would be twenty times that, or about \$8,000,000 worth of rope?

Mr. COCHRAN. Yes, sir; I should think that was somewhere near it.

Senator McCUMBER. And the importation was about \$100,000 worth?

Mr. COCHRAN. That was from England alone. I have no figures showing what Germany exported to this country.

Senator McCUMBER. This material is used for hoisting all kinds of elevators?

Mr. COCHRAN. Yes, sir.

Senator McCUMBER. It is used in the mines and used, I suppose, to a great extent in the quarries, and used by railroads for wrecking purposes, etc.?

Mr. COCHRAN. Yes, sir.

Senator McCUMBER. And in different kinds of elevators where great weights are to be handled?

Mr. COCHRAN. Yes, sir.

Senator McCUMBER. It is not an article that is purchased by the public generally at all?

Mr. COCHRAN. No, sir.

Senator McCUMBER. But is only used in specific machinery?

Mr. COCHRAN. Absolutely.

Senator McCUMBER. And in limited quantities?

Mr. COCHRAN. Yes, sir.

Senator McCUMBER. The price does not affect the general public to any appreciable extent?

Mr. COCHRAN. Not at all; no, sir.

Senator McCUMBER. Therefore if the tariff should add somewhat to the cost of these cables or ropes it could not be felt by the public?

Mr. COCHRAN. Not a particle; no, sir.

Senator HEYBURN. This is not a safe or proper article to economize in, is it?

Mr. COCHRAN. It absolutely is not; no, sir.

Senator HEYBURN. In the majority of cases human life is at the mercy of the cables?

Mr. COCHRAN. And the integrity of the manufacturer; yes, sir.

Senator HEYBURN. Human life is a matter of the first importance. I do not know whether or not all the members of the committee are familiar with the extent to which cables are used in mines. No mine is operated without them, and six times a day human life is transported by these cables, either attached to a car or to some other device, and is at the mercy of the cable. Would I be exaggerating in saying that there are millions of dollars' worth of cables in use for handling human life?

Mr. COCHRAN. No, sir. It is practically all used for that purpose, even in the contractors' work, in swinging girders out over streets where people are underneath.

Senator HEYBURN. All of these steel-frame buildings, for instance, and all of the mines that work a great many thousands of men are at the mercy of the integrity of the cable?

Mr. COCHRAN. Absolutely; yes, sir. The fact is that in the foreign markets they have not reached the speed at which our machinery is run in this country, and their cables are not made as carefully as ours. In the case of our own factory we have been in business 26 years and we have educated our men there from boys up, starting them in at the wire winding, and they go from that department to the stranding, and from that to the closing, the important parts of the rope and the inspection of the rope.

Senator HEYBURN. Give us an idea here of what is meant by a cable in the sense that they are used, for instance, on the Comstock lode, in the deep mines, or in the Lake Superior mines. The general impression, when you speak of a cable, is that it is a round rope. Just give us the size and dimensions of a real cable.

Mr. COCHRAN. I should say that an average size cable is about 1 inch in diameter.

Senator HEYBURN. And how wide?

Mr. COCHRAN. It is round.

Senator HEYBURN. I am speaking now of the flat cables.

Mr. COCHRAN. I am not familiar with the flat cables.

Senator HEYBURN. We do not use round cables.

Mr. COCHRAN. You see, the flat cables are made of round cables, sewed together.

Senator HEYBURN. I know; but none of the big mines use round cables in our country.

Mr. COCHRAN. I am not familiar with that end of the business.

Senator HEYBURN. That is the biggest part of the business.

Mr. COCHRAN. It is from the standpoint of some of the manufacturers, but not from ours. Very expert men are required to sew those cables together.

Senator HEYBURN. When you speak of sewing them, I would suggest that you take the first opportunity to investigate a real cable, such as we use in these deep mines, and you will find that probably there is something to learn. I am not saying this in a criticising mood; but I should like to know if there is a cable man here who is able to describe a real cable.

Senator CLARK. We use real cables in my State. We are going down a mile and a half and 2 miles with round cables.

Mr. COCHRAN. We think we know how to make real cables.

Senator WILLIAMS. I want to ask you this question: You say, and say very truthfully, that human life depends very much upon the integrity of the workmanship upon the cable?

Mr. COCHRAN. Yes, sir.

Senator WILLIAMS. Do you know whether accidents from the breaking of cables in elevators and in mines are any more frequent abroad than they are here?

Mr. COCHRAN. They do not have the same conditions, Senator. That is, they do not run at the speed that our cables travel at in this country.

Senator WILLIAMS. But do you know whether they are any more frequent abroad than they are here?

Mr. COCHRAN. I should say not, because they do not put the same strain on the rope.

Senator WILLIAMS. As a matter of fact, are you not aware of the fact that they have about 50 accidents and deaths in America where they have 1 in Great Britain?

Mr. COCHRAN. I should say that the percentage of accidents in this country from the breaking of wire cables, is very, very small.

Senator WILLIAMS. But still it is larger than the percentage abroad; is it not?

Mr. COCHRAN. They do not have the same conditions.

Senator WILLIAMS. You say it is owing to a difference of conditions. That is something I will come to in a minute; but I want an answer to the question. What is the difference of conditions that leads to this?

Mr. COCHRAN. Difference in speeds.

Senator WILLIAMS. That speed produces a greater efficiency of output, does it not, at the works?

Mr. COCHRAN. The truth of the matter is that just a little bit of extra speed adds about four times to the strain on the rope.

Senator WILLIAMS. This difference of speed is owing to the greater rapidity and efficiency with which American production is carried on; is it not?

Mr. COCHRAN. Yes, sir.

Senator WILLIAMS. And it is carried on with that greater speed because it brings greater profit to the mine owner?

Mr. COCHRAN. Because the competition is keener; yes, sir.

Senator WILLIAMS. That is what I wanted.

The CHAIRMAN. There are a number of iron and steel people here to-day. Senator Oliver will call on them in the order he has arranged.

STATEMENT OF HON. GEORGE T. OLIVER, SENATOR FROM PENNSYLVANIA.

Senator OLIVER. Mr. Chairman and gentlemen of the committee, the men who are here to-day are representatives of the independent iron and steel manufacturers in various lines.

The impression has gone abroad throughout the country—and many who are not familiar with conditions in the iron and steel business consider it to be the fact—that when you hit the iron and steel trade or industry in any way, or pass any law affecting it, you are simply legislating with regard to the United States Steel Corporation. The presence of these gentlemen this morning is a complete refutation of the idea or theory that the United States Steel Corporation even dominates the iron and steel industry of the United States. These men are all direct and active competitors of the United States Steel Corporation—one or two of them throughout their entire line of manufacture, and all of them with regard to one product or another.

In the State of Pennsylvania a very much greater tonnage is produced by independent manufacturers than by the Steel Corporation and its subsidiaries. One of the companies represented here this morning, for instance, is an establishment that was founded in the city of Pittsburgh, as early as about 1850, in a small way. It has grown from that time to this, until it has an invested capital of something like \$50,000,000. It is still owned and actively operated by the sons and the grandsons of the two men who established it in the early fifties. It is strictly a private, independent concern.

The CHAIRMAN. How many men are employed by this concern?

Senator OLIVER. How many men do you employ, Mr. King?

Mr. W. L. KING. From sixteen to eighteen thousand.

The CHAIRMAN. You refer to the well-known corporation of Jones & Laughlin?

Senator OLIVER. Jones & Laughlin; yes, sir. They manufacture everything from pig iron down to wire, wire nails, and tin plate. Quite a number of their wire plants, their tin-plate plants, and a number of their other plants have been built and established since the organization of the United States Steel Corporation and in active competition with them. They were not in the wire business 10 years ago; they were not in the tin-plate business 10 years ago; but they are very large manufacturers of both articles to-day.

On the other hand, at the other extreme, there is one young man here to-day who was a clerk in my office in 1899, working at a salary

of \$100 a month. He left that office to accept employment in one of the tin-plate plants of the United States Steel Corporation, worked for them for about two years, left them, borrowed a little money, and took an interest in a small tin-plate plant which he established himself. He is now at the head of the concern, operating successfully; and they have two large independent tin-plate plants running to-day.

I mention that as an evidence that the period of opportunity for young Americans has not passed, and that there is to-day just as much opportunity for a young man to build himself up as there was in the early days of the Republic.

Senator CLARK. Even against the steel corporation?

Senator OLIVER. Even against the steel corporation.

Senator McCUMBER. Mr. Oliver, I wish that for my benefit, at least, if not for that of the entire committee, you would in some way signify where the line of demarcation lies between what you call the independent manufacturers and what you call the other manufacturers. Does it lie in the size, or in the fact that some run a single plant, and others run many subsidiary plants?

Senator OLIVER. Not at all.

Senator McCUMBER. I should like to understand just where the line is, so that we may separate them.

Senator OLIVER. I think I can state that clearly.

Senator McCUMBER. You are speaking now for the independent manufacturers. I want to know what they are.

Senator OLIVER. To use a scriptural illustration, this is the division between the sheep and the goats. The steel corporation is on one side and all the others are on the other side.

Senator McCUMBER. Then when you speak of the independents and the others, you take the United States Steel Corporation as the goat?

Senator OLIVER. I put the United States Steel Corporation on one side and the independents on the other. You can pick out for yourselves just which one is the goat; but that is the dividing line.

Senator McCUMBER. The point I want to get at is this, Senator, so that we may have it clearly upon the record: It is that in speaking of the independents, you simply distinguish between practically all others and the steel corporation?

Senator OLIVER. Yes; the United States Steel Corporation on one side and all others on the other.

There is what may be termed an intermediate class in the iron and steel industry, consisting of great corporations like the Bethlehem Steel Co., the Pennsylvania Steel Co., the Cambria Steel Co. (which, by the way, is represented here to-day), and similar concerns. They are independent, and competitors; but they are great, big corporations of themselves.

Senator CLARK. You include those in the independents of whom you speak?

Senator OLIVER. Of course I include them all in the independents.

Senator McCUMBER. And you object to the slaughtering of all of the sheep in our attempt to scratch the goat?

Senator OLIVER. In your attempt to scratch the goat, and you can not more than scratch him; because while the proposed bill is a

menace to the whole iron and steel industry, the steel corporation itself is better fortified to stand up against it than any of the others. To the smaller concerns—the men who have every dollar they own invested in this business, the men who would be absolutely ruined and driven to beggary by the enactment of this bill and by the injury that would result to the steel business generally—this is an exceedingly serious matter. They are the ones that will suffer by the enactment of this law, because they have no recourse. They have not unlimited capital behind them. They have not reserves of raw material in the shape of immense bodies of ore and coal; and they have not the financial ability to stand up against this proposition. They would be ruined; and they are the men who are represented here to-day.

Senator McCUMBER. And they have not got the coal and the limestone and the iron all together, or almost together, where they can be utilized with the least cost?

Senator OLIVER. They have not got everything gathered in one place, as they have in one section of the country only—that is, Alabama. We must bring our ore (and by “we,” I mean our manufacturers in the Pittsburgh district) 1,500 miles.

Senator McCUMBER. I am much obliged to you, Senator, for giving us that explanation. Now, I shall be obliged if you will carry it a little further, and state to the committee, in percentages, what proportion of the manufactured iron product is produced by the United States Steel Corporation, and what proportion by all of the others for whom you speak.

Senator OLIVER. As nearly as I can come to it, the United States Steel Corporation, when it was organized nearly 11 years ago, was supposed to control about 60 per cent of the tonnage of iron and steel. To-day it controls a little less than 50 per cent. But I want you to note this difference: In value of output I do not think the United States Steel Corporation controls more than from 30 to 40 per cent; because the United States Steel Corporation is engaged almost exclusively in the production of what is known as big steel, tonnage steel, steel rails, steel billets, and it goes to only a small extent into the lines of what you might call ultimate-use steel—smaller sizes, smaller articles.

Senator McCUMBER. It produces for the manufacturers?

Senator OLIVER. For instance, the crucible steel industry, which appeared before you last week, produces altogether, of all kinds of steel, only about 75,000 tons a year. I think Mr. Ramsey said they produced about 120,000 tons, but of the finer grades only about 75,000. In value that 75,000 tons of steel would represent probably more than half a million tons of the average product of the steel corporation. The men who are here carry their lines of manufacture largely down to the end where the product is used by the consumer, and where it is not used simply by another manufacturer as a raw material.

Senator McCUMBER. I am speaking of value and not of weight.

Senator OLIVER. In value, I think (while it is mere guesswork on my part, and is based only upon my general knowledge of the business) the output of the United States Steel Corporation does not amount to much more than 30 per cent of the value of all of the iron

and steel products of the country that go to the consumer. What do you think about that, Mr. King?

Mr. W. L. KING. I should think it was a little larger in value than 30 per cent.

Senator OLIVER. I may be mistaken in it, then. I should say certainly not to exceed 40 per cent, because you must remember that big tonnage means low values. For example, steel rails sell at \$28 a ton, and cost something like \$21. The manufacturer of crucible steel will sell some of his product for as high as 50 and 60 cents a pound, running up toward \$1,000 a ton. These men are almost exclusively men who manufacture for the consumer. Some of them go a long way back.

Senator WILLIAMS. Do they buy much of their raw material from the United States Steel Corporation?

Senator OLIVER. Some of them, I have no doubt, get quite a good deal of it from them. Some of them make their raw material themselves.

Senator WILLIAMS. They buy the steel in a midway process toward their products?

Senator OLIVER. In a midway process, and finish it.

Senator WILLIAMS. They finish it to still more finished products?

Senator OLIVER. Yes. One of the gentlemen who will address you is Mr. Campbell, of the Youngstown Iron & Steel Co. That is a concern that has been established and built up absolutely since the United States Steel Corporation was organized. I do not know what its capital is, but it runs away up into the millions; and it may be called one of the numerous offspring of the organization of the Steel Corporation. Men who, perhaps, were thrown out of positions by the organization of the Steel Corporation gathered together their friends and their money, and started in, in a small way, and have built up businesses of their own.

The logical thing to start with is the first process in the manufacture of iron and steel, which is pig iron; and I will now introduce to you Mr. J. G. Butler, jr., of the Brier Hill Steel Co.

STATEMENT OF MR. J. G. BUTLER, JR., OF YOUNGSTOWN, OHIO, REPRESENTING THE BRIER HILL STEEL CO. AND OTHER INDEPENDENT PIG-IRON MANUFACTURERS.

The CHAIRMAN. You reside in Youngstown, do you, Mr. Butler?

Mr. BUTLER. Youngstown, Ohio; yes, sir.

The CHAIRMAN. How long have you been in the business?

Mr. BUTLER. I have been in the business on my own account for 46 years, and as an employee for 10 years.

The CHAIRMAN. You ought to know something about it by this time.

Mr. BUTLER. I would rather somebody else should answer that question.

The CHAIRMAN. Please proceed with your statement, Mr. Butler.

Mr. BUTLER. On April 29, 1909, as chairman of a committee, I submitted to the Senate Finance Committee a brief on iron ore, pig iron, and scrap. The information and views contained in this brief hold good to-day, and to save time I respectfully refer you to it.

I have a copy of the brief here with me, that I shall be glad to leave with the secretary, if you desire it.

The CHAIRMAN. The brief will be left with the stenographer, and he will insert it in the record, Mr. Butler.

Mr. BUTLER. I may want to refer to it in some respects before I get through. [The brief referred to will be found at the end of Mr. Butler's statement.]

There has been considerable reduction in the cost of making pig iron in various localities, as will appear later on.

The duty on pig iron under the act of 1897 was \$4 per ton. This was reduced to \$2.50 per ton in the act of 1909, a reduction of 37½ per cent. The Underwood bill proposes an ad valorem duty of 8 per cent. With pig iron valued at \$15 per ton, this would be equal to a duty of \$1.20. The average value of pig iron exported from Great Britain in 1911 was \$13.30 per ton, and on this value the duty of 8 per cent would be only \$1.064 per ton. This would be a reduction of over 73 per cent from the duty prevailing before August, 1909. Conditions have been such in the United States during the several years past that it is by no means certain that the reduction made in 1909 was advisable. A further reduction to the rates proposed in the Underwood bill would open the home market to foreign competition.

Both England and Germany—the largest producers of pig iron outside of the United States—produce largely in excess of their own needs. They export large quantities annually, amounting in 1911 to about 2,000,000 tons, which amount could be very considerably increased if a profitable market could be found in the United States.

If there is to be an increase in our importations of pig iron, there must necessarily follow a decrease in our consumption of Lake Superior iron ore. Large quantities of Lake Superior iron ore will find their way into New York, Pennsylvania, and some other States, whose pig-iron industry would be seriously affected by an increase in our imports of pig iron. If we should make less pig iron, we would consume less Lake Superior ore, smaller quantities of finished iron and steel, less coke, and so on.

The whole matter, therefore, is reduced to a question of relative costs. The Department of Commerce and Labor has determined the average cost of pig iron in the United States as \$14.01 per ton. This figure, based on the actual cost, as derived from the books of the companies making a large part of pig-iron production, includes all the large steel companies, which have plants in general more economically situated than those of the smaller companies, especially the smaller companies whose furnaces are situated near the seaboard. The latter would have costs considerably above this average—probably over \$15. Of course, the seaboard plants would feel foreign competition more severely than those farther inland, which can be reached by the foreigner only by the payment of rail freight to destination.

Foreign costs are difficult to obtain; but the best published figures show a cost of \$9.48 per ton for the Cleveland district in England, \$8.71 for the Luxemburg-Lorraine district, and \$10.16 for other parts of Germany.

If we take the foreign costs as approximately \$10 per ton, and those of the eastern district in the United States as \$15, there is a difference in cost of \$5 in favor of the foreign producer. A portion of this is covered by freights which must be added to the foreign costs to reach the market. The ocean freight on pig iron is very variable. On account of our exports being of more bulky character than our imports, there are frequently times when pig iron is wel-

came at merely ballast rates. The ocean freight seldom exceeds \$1.60 per ton. Freight from the foreign works to their ports of shipment vary, but would hardly exceed 90 cents per ton. Thus, the freight might cover \$2.50 of the difference in cost, leaving at least \$2.50 which should be covered by a protective duty if the plants exposed to foreign competition are to live.

Senator CLARK. What is the duty now?

Mr. BUTLER. \$2.50 under the Payne-Aldrich bill.

Figures of comparative cost can be only approximate; but it is evident that the proposed duty on pig iron of about \$1 per ton would open American markets to the foreign product, and cause disaster, particularly to the smaller concerns not far removed from the Atlantic seaboard.

Furthermore, costs in this country have been increasing and probably will continue to increase. The decline in the iron content of Lake Superior ore, which increases costs of transportation and smelting per ton of pig iron; the rapid exhaustion of the coking coal reserves, which makes it necessary to use supplies mined at greater cost or transported longer distances; the tendency to higher wages which accompanies a rise in general prices, are some of the causes of increased costs. It seems probable that all these causes will continue to operate in that direction for some time to come. Therefore a tariff rate which at present seems just may not long remain so; and it is for this reason that the rate established by the act of 1909, and tried for only a short time under exceptional circumstances, might not in the future prove adequate to afford protection to this industry.

I submit herewith tables showing the average book costs of pig iron of different qualities. I also submit tables showing imports and production.

I will not read those tables, although I think they will interest you. It is a matter of information which I understand the Senate Finance Committee is seeking, and with your permission I will hand the tables to the stenographer.

The tables referred to are as follows:

Average book costs per gross ton of specified kinds of pig iron, showing furnace cost as given in the cost sheets (including intermediate profits), together with "additional costs" (derived from profit and loss accounting), 1902-1906.

Items.	Bessemer iron.	Basic iron.	Southern iron.
Tons produced.....	51,902,099	9,573,539	5,339,766
Net metallic mixture.....	\$7.30	\$7.14	\$2.35
Coke.....	3.89	3.30	4.47
Limestone.....	.43	.47	.27
Labor.....	.77	.62	1.23
Other operating cost.....	.87	.77	1.20
Furnace cost.....	13.26	12.30	9.52
Additional costs.....	.75	.52	.18
Total cost.....	14.01	12.82	9.66
Price gross metallic mixture.....	\$4.07	\$3.73	\$9.95
Price net metallic mixture.....	\$3.97	\$3.64	\$9.95
Per cent. yield.....	54.4	50.9	40.6
Price coke, net ton.....	\$3.37	\$2.90	\$2.54
Pounds coke.....	2,311	2,282	2,528

640 DUTIES ON METALS AND MANUFACTURES OF METALS.

Average book cost per gross ton of Bessemer pig iron and cost, excluding transfer profits, distinguishing large and small companies, 1902-1906 (made from Lake ore).

Items of cost.	All companies (44,311,530 tons).		Large companies (40,873,260 tons).		Small companies (3,488,260 tons).	
	Book cost.	Exclud- ing transfer profits.	Book cost.	Exclud- ing transfer profits.	Book cost.	Exclud- ing transfer profits.
Net metallic mixture.....	\$7.86	\$4.10	\$7.28	\$4.01	\$7.29	\$7.14
Coke.....	3.81	3.28	3.75	3.19	4.41	4.41
Limestone.....	.43	.43	.43	.43	.49	.49
Labor.....	.73	.73	.69	.69	1.26	1.26
Other operating.....	.80	.80	.79	.79	.82	.82
Furnace cost.....	13.13	11.34	13.04	11.11	14.18	14.12
Additional costs.....	.76	.76	.82	.82	.09	.09
Total cost.....	13.89	12.10	13.86	11.93	14.27	14.21

Average book cost per gross ton of basic pig iron and cost, excluding transfer profits, distinguishing large and small companies, 1902-1906.

	All companies (9,161,685 tons).		Large companies (8,466,492 tons).		Small companies (695,193 tons).	
	Book cost.	Exclud- ing transfer profits.	Book cost.	Exclud- ing transfer profits.	Book cost.	Exclud- ing transfer profits.
Net metallic mixture.....	\$7.15	\$4.69	\$7.17	\$4.69	\$6.90	\$6.66
Coke.....	3.32	2.79	3.26	2.68	4.11	4.11
Limestone.....	.47	.47	.46	.46	.64	.64
Labor.....	.60	.60	.57	.57	1.06	1.06
Other operating.....	.75	.75	.71	.71	1.10	1.10
Furnace cost.....	12.29	11.30	12.17	11.11	13.81	13.59
Additional costs.....	.62	.62	.64	.64	.31	.31
Total cost.....	12.81	11.82	12.71	11.66	14.12	13.90

Pig iron, imports into United States.

Fiscal years.	Tons.	Value.
June 30—		
1900.....	61,100	\$2,109,501
1901.....	39,325	1,355,231
1902.....	168,961	3,367,172
1903.....	956,196	16,830,532
1904.....	191,135	4,047,157
1905.....	123,977	2,989,089
1906.....	271,790	7,778,594
1907.....	564,846	15,654,767
1908.....	204,022	6,201,608
1909.....	104,655	3,689,085
1910.....	237,684	6,289,729
1911.....	206,184	6,066,808

Exports of pig iron from Great Britain and Germany, 1906-1911.

	Great Britain.		Germany.
	Quantity.	Value.	
	<i>Tons.</i>	<i>Pounds.</i>	<i>Tons.</i>
1906.....	1,489,827	4,354,520	480,874
1907.....	1,794,333	5,630,048	275,170
1908.....	1,201,060	3,348,494	257,849
1909.....	1,010,351	2,772,417	471,045
1910.....	1,045,661	2,972,251	786,854
1911.....	1,065,863	2,912,099	829,393

Production of pig iron in the United States.

	United States.	Germany.	Great Britain.
1906.....	25,307,191	12,473,067	10,109,483
1907.....	26,781,301	13,045,700	9,823,886
1908.....	15,930,018	11,813,511	9,056,881
1909.....	25,786,471	12,917,863	9,664,287
1910.....	27,306,857	14,783,325	10,216,745
1911.....	23,649,344	16,534,223	10,128,000

¹ Estimated.

Senator CLARK. I should like to ask you one question. You say that the duty under the proposed bill is \$1 a ton. Just how do you arrive at that?

Mr. BUTLER. In the sense of an estimate, which is as nearly as it can be estimated, we take the cost of pig iron, say, in Middlesboro, England. Mr. Underwood proposes an ad valorem duty.

Senator CLARK. Yes; but I understood you to say the average cost abroad was \$10.

Mr. BUTLER. Yes.

Senator CLARK. The duty is how much? Fifteen per cent?

Mr. BUTLER. Fifteen per cent.

Senator CLARK. That would be \$1.20?

Mr. BUTLER. \$1.20; yes, sir.

When we heard of this hastily prepared Underwood bill, gentlemen—I am speaking now for the independent pig-iron manufacturers—we did not pay very much attention to it.

Senator JOHNSON. I understood you to say that the duty was 8 per cent under the Underwood bill.

Mr. BUTLER. It would be a reduction of 8 per cent. As I was about to say, when we heard of the formation of the Underwood bill and its final passage by the House we paid very little attention to it. We had the impression—and some of us still have the impression—that it was a political measure, gotten up for political effect, and that for that reason we need not worry about it. But some of our good friends were down here and talked with different gentlemen of both parties, and they seemed to be in earnest about it, and I began getting telegrams and letters and long-distance telephone messages saying that we ought to call a meeting to consider this matter; that in justice to our stockholders, in justice to our employees, and incidentally in justice to ourselves, we should take some action.

Following out these suggestions, I called a meeting myself—largely, I suppose, because of the length of time I have been in the business, and we had a meeting at the Duquesne Club in Pittsburg. We were surprised at the number of people that were there. Everybody came that was within hailing distance, and the matter was very thoroughly discussed, and committees were appointed to represent each particular industry—a chairman of each committee, with authority to select two other members.

We started in with iron ore and pig iron, and followed all along down the line. The other gentlemen are here, as Senator Oliver has explained. In the meantime we have been making preparations to take up the matter, and when you hear the other gentlemen you will find that they have a lot of information for you.

I want to say just a word in regard to making the change from a specific duty to an ad valorem duty. It opens the door to fraud in the way of undervaluations, and I think that should be reason enough if there were no other reason.

In addition to that, when the prices are low it makes the protection high, and when the prices are high it makes the protection low.

The Payne-Aldrich bill reduced the rate of the Dingley bill 50 per cent, in round figures. Mr. Underwood now proposes to reduce the figures of the Payne-Aldrich bill another 50 per cent, so it will not need very much, if his bill should become a law, which Heaven forbid. I say further, that if it should become a law it will mean a revolution in labor. There is no other way out of it; labor must be liquidated if we are to stand this change in the tariff law. That will apply clear along the line clear through to the end.

I am very much in favor, and I think all of my brother manufacturers are, of having this tariff question ultimately taken out of politics. A good start has been made. There is a tariff board now considering all these questions. I do not think any change in the revenue law should be made without a thorough investigation being made by this Tariff Board or another one of larger dimensions. Let them do the work instead of all these people that are gathered here doing it for you.

I want to say, further, that when the Payne-Aldrich bill was formulated in 1909 the iron and steel people met the matter in perfect frankness, gave what information they could, showed their willingness to stand whatever reductions they could, and spent a great deal of time over it. I think the same spirit prevails now. I think you will find that the people engaged in the iron and steel business, if it can be shown that any of the rates can be reduced without injuring their business, will be very willing and glad to have it done. You will find possibly that some of them will suggest it when you get around to them.

There has been a lot of talk in the newspapers and otherwise about Chinese pig iron coming in. Personally I think there is no immediate danger of that. The quantity made there is small. Ultimately there might be very serious danger. Labor there is a mere nothing compared with what it is here. Iron ore, coal, and everything else are plentiful, and ultimately a very large business might spring up there. I suppose the Panama Canal will help that. But for the present I think the danger from that direction has been rather overstated.

When the Underwood bill was presented in the House, you will find by reading the record that Mr. Underwood made the statement that there was a plant in Alabama where the materials were right together and did not have to be assembled, where they could make iron cheaper than at any other place in the United States, if not in the world; and he suggested that it would be a good plan to save the freight both ways and all that, to move these northern plants down there. That is all very well for Mr. Underwood; but it looks to me very much as if, when he is trying to get this bill through, he is "looking out for No. 1," and that he wants a monopoly down there, and lose sight of the fact of all of these hundreds of millions of dollars that are invested in the North.

Just one other point, and then I am through. That is the matter of ferromanganese. I will explain to you that ferromanganese is a form of pig iron, and comes in under the pig-iron duty. It is absolutely essential to the manufacture of steel. We could not make a pound of steel without ferromanganese or spiegeleisen. It comes in now under the pig-iron duty, and brings in quite a revenue. The statement that I have shown here gives the tonnage that came in during the last few years. There is only one manufacturer of ferromanganese in the United States, and that is the United States Steel Corporation. If this bill becomes a law, you will be very seriously injuring the independent companies that are represented here to-day.

Senator McCUMBER. Heretofore has it been coming in free?

Mr. BUTLER. No, sir; it has been coming in at \$2.50 a ton, the same as pig iron.

Senator McCUMBER. What does the Underwood bill provide?

Mr. BUTLER. They propose to make it 15 per cent.

Senator McCUMBER. Which would be equivalent to what?

Mr. BUTLER. The foreign value at the shipping point is about \$40 a ton; so that it more than doubles the rate.

Senator WILLIAMS. Would you suggest, then, that the duty on ferromanganese be reduced from the rate provided in the Underwood bill?

Mr. BUTLER. I do not believe the independent steel manufacturers would object if it were made free. You perhaps would be doing them a real service.

Senator WILLIAMS. I think it would be a very good idea to make it free, then.

Senator CLARK. But there is a substantial increase made by retaining the classification. Complaint was made the other day in regard to classifying ferromanganese with the other items that are included in that section.

Mr. BUTLER. It is a form of pig iron. It is made in blast furnaces, and, as I have said, is made in this country by the United States Steel Corporation and by no other company. I should have added that the manganiferous ore from which it is made is imported, and under the Underwood bill is free. The result will be, if you want to continue to get revenue from this product, that the independent people can make spiegeleisen and ferromanganese, and will probably do it if this bill should become a law. Therefore you would wipe out the revenue that you are at present getting from the importations of ferromanganese.

Senator WILLIAMS. If we should wipe it out, it would be because the independent people went into the manufacture of it themselves, would it not, and would furnish it to the American people at a lower cost than the foreigners are furnishing it now?

Mr. BUTLER. That would depend somewhat upon whether or not the present price of ore continued.

Senator WILLIAMS. But I say if the result followed of wiping out the duty, it could follow only by that process, could it not?

Mr. BUTLER. I think that would be the logic of it; yes, sir.

Senator WILLIAMS. I think we had better put ferromanganese on the free list.

Mr. BUTLER. That is all I have to say, gentlemen. With your permission, I will leave with you, if you care to have it, this brief I submitted three years ago. It has a lot of statistics and figures in it that are good to-day, as I have already said.

The CHAIRMAN. It will be printed as part of your remarks.

Mr. BUTLER. I have here, also, a list of the independent producers of the Central West that I represent, and I will leave that. I have been requested to represent them.

The CHAIRMAN. Yes; that will be printed also.

The list above referred to is as follows:

INDEPENDENT PIG-IRON MANUFACTURERS REPRESENTED BEFORE THE SENATE FINANCE COMMITTEE BY J. G. BUTLER, JR.

Ashland Iron & Mining Co.
Columbus Iron & Steel Co.
Perry Iron Co.
Girard Iron Co.
Andrews & Hitchcock Iron Co.
Pickands, Mather & Co.

Toledo Furnace Co.
Stewart Iron Co. (Ltd.).
M. A. Hanna & Co.
Bellfont Iron Works.
Kittanning Iron & Steel Manufacturing Co.
Brier Hill Steel Co.

Mr. BUTLER. I represent primarily the Brier Hill Steel Co., which is a recent merger of our two concerns. I also represent these other independent concerns, a list of which I have just submitted.

I am ready to be excused now, unless you have some questions to ask me.

The CHAIRMAN. Are you in charge of the order of speakers, Mr. Butler? Have you any arrangement to suggest?

Mr. BUTLER. I think it would be proper that Mr. Leonard Peckitt should follow me, as he is the other member of the pig-iron committee, and represents particularly the manufacturers of pig iron in the East.

The CHAIRMAN. The committee will hear Mr. Peckitt.

The brief submitted by Mr. Butler is as follows:

BRIEF ON IRON ORE, PIG IRON, AND SCRAP, SUBMITTED TO THE SENATE FINANCE COMMITTEE, APRIL 29, 1909.

YOUNGSTOWN, OHIO, April 29, 1909.

HON. NELSON W. ALDRICH,

Chairman Senate Finance Committee, Washington, D. C.

DEAR SIR: At a meeting of all the producers of iron ore in the United States, together with the majority of the producers of merchant pig iron, held in New York on April 14, the undersigned were appointed a committee to look after the interests of the iron-ore people and the manufacturers of merchant pig iron, in the pending legislation. At your suggestion, we submit this brief so that it may be considered at the convenience of the members of the Finance Committee.

IRON ORE.

The duty on iron ore has been reduced from 40 cents to 25 cents per ton in the Senate bill, while in the House bill it has been placed on the free list.

The following reasons are submitted as to why the provision of the Senate bill should prevail:

In the first place, the proposed duty of 25 cents per ton, at the present selling price of foreign ore, is the equivalence of an ad valorem duty of less than 10 per cent, and is one of the very lowest, if not the lowest item, in the iron and steel schedules of proposed duties. It affords so little protection that, even with the present duty of 40 cents per ton, there has been imported into this country during the past 10 years an average of 849,480 tons annually of foreign ore, and during the year 1908 the present duty was so inadequate that practically no sales of domestic ore were made until after the surplus of foreign ore was disposed of.

Secondly, it is understood that one of the principal objects of the proposed tariff revision is to obtain a larger revenue from our imports, and it would therefore seem unwise to take the duty entirely off of iron ore and thus deprive the Government of a substantial revenue, which must very materially increase in the near future, with the development now being made of the enormous newly discovered iron-ore fields on the north coast of Cuba. Some authorities claim that more ore has been shown up in this region than is contained in the celebrated Mesaba Range of the Lake Superior iron-ore district. Larger importations can also be expected from the developments going on in the Newfoundland iron-ore deposits, and recently a large importation has been made, for the first time, from the Lapland (Sweden) district, which is said to be the largest in the world, and the proposed duty of 25 cents is so moderate that it can not prove a hardship to consumers of foreign ore.

In the third place, there is invested in the iron mining and transportation interests directly identified with the industry not less than \$250,000,000, and many thousands of laborers are directly dependent upon it for their subsistence, and, therefore, there would seem to be no valid reason why the mine owners and laborers should not enjoy the benefits of the principle of protection as well as the other industries of this country, especially as they have to compete very largely with the cheaply paid labor of Spain and Cuba.

In the fourth and last place, the proposed duty of 25 cents per ton in the Senate bill is so low that it should have the support of both those who believe in a tariff for protection and those who wish only a tariff for revenue only.

PIG IRON, STEEL, AND IRON SCRAP.

On January 20, 1909, the chairman of this committee submitted to the Ways and Means Committee a brief on pig iron quite exhaustive, and perhaps too full for consideration by the lawmakers, having in mind the limited time at their disposal, and on March 30, 1909, the chairman of this committee submitted to the Finance Committee of the United States Senate a supplementary brief, wholly with reference to steel and iron scrap. This additional brief, therefore, so far as it relates to pig iron and steel, and iron scrap, is intended to present, in a condensed form, the information and arguments used in the two briefs referred to.

We recommend that the duty on pig iron and steel and iron scrap be uniform, and that the rate be made \$3 per ton instead of \$2.50, as it appears in the Senate finance bill, for the following reasons:

First. Every ton of scrap consumed in open-hearth practice or by foundries takes the place of a ton of pig iron; therefore the duty should be the same as pig iron.

Second. The largest producers of scrap in the United States are the railroad companies, and inasmuch as the railroad companies are the largest consumers of protected material, they should not be discriminated against.

Third. With scarcely an exception every country on the face of the globe produces scrap in one form or another, and if the duty should be reduced to 50 cents per ton, as proposed in the Payne bill, the United States would be the dumping ground for the world.

Fourth. There is grave danger of fraud upon the revenues being perpetrated by sending in so-called scrap which in reality is not scrap. The present law is faulty in its definition, and under it frauds have been perpetrated. Boiler-plate shearings, crop ends of bars—round and square—have been admitted as scrap, and have been used as billets for the production of light rods and shapes, and the boiler-plate shearings admitted as scrap have been rolled down into finished products, sheets, strips, and light plates, thereby defrauding the revenues of the Government.

Fifth. At the present rate of duty there is considerable legitimate scrap imported, as well as pig iron, in various forms. This brings to the Government large revenues. The modern open-hearth furnace is the scavenger of the steel and iron world, and consumes very nearly all the scrap made and imported, therefore a reduction in the rate of duty means a reduction in the revenue, in addition to injuring the manufacturers of merchant pig iron.

Sixth. I reproduce herein condensed cost of manufacturing pig iron in the seven districts of the United States and in Germany and England—

Eastern Pennsylvania.....	\$18. 79
Buffalo.....	16. 45
Southern Ohio.....	16. 44
Mahoning and Shenango Valleys.....	16. 50
Middle West.....	16. 10
Virginia.....	14. 27
Alabama and Tennessee.....	12. 00
Germany.....	9. 42
England.....	9. 48

Seventh. I reproduce herein a table showing the comparative blast-furnace wages in the United States and England. It will be observed that the wages paid in the United States are double the wages paid in England:

	United States.	England.
Furnace keeper.....	\$2. 90	\$1. 32
Top fillers.....	2. 55	1. 27
Cinderman.....	2. 30	1. 21
Bottom fillers.....	2. 30	1. 12
Laborers.....	1. 65	. 91
Blast enginemen.....	2. 90	1. 37

Your committee therefore respectfully requests that this brief be given careful and earnest consideration by the Senate Finance Committee, to the end that justice may be shown to the large and important interests we represent.

J. G. BUTLER, Jr.,
F. S. WITHERBEE,
LEONARD PECKITT,
J. H. FRANTZ,
Committee.

STATEMENT OF MR. LEONARD PECKITT, OF CATASAUQUA, PA., REPRESENTING THE EMPIRE STEEL & IRON CO.

The CHAIRMAN. Mr. Peckitt, what corporation do you represent?

Mr. PECKITT. Mr. Chairman and gentlemen of the committee, I represent the Empire Steel & Iron Co., of Catasauqua, which is about 70 miles from Philadelphia, Pa. We are what is known in the trade as producers of merchant pig iron, having no finishing mills of our own. I shall therefore confine myself to that commodity and to iron ore in addressing you at this time.

The CHAIRMAN. What is the capital of the Empire Steel & Iron Co., Mr. Peckitt?

Mr. PECKITT. The capital of the company is two and one-half millions of preferred stock, and a million and a quarter of common stock.

The CHAIRMAN. Before you proceed with your remarks, I should like to ask what your company has earned during the last few years, if you have no objection to stating it to the committee; or do you expect to touch on that in your remarks?

Mr. PECKITT. I thought of touching on that, Senator?

The CHAIRMAN. Then go on in your own way.

Mr. PECKITT. It might, perhaps, be in order to bring it in now, if you wish it.

The CHAIRMAN. Just as you prefer.

Mr. PECKITT. I have prepared a statement of our business during the last 10 years; and as it has been published in the Iron Age, it seems to me there is no reason why it should not be given here.

Our books during the 10 years beginning in 1902—that is, the years from 1902 to 1911, inclusive—show that we have made 1,790,000 tons of pig iron, and that our net earnings have been \$1,907,751, which shows that we have been able to earn but \$1.07 a ton. Figuring that in percentages, it amounts to 5 per cent.

Senator McCUMBER. Five per cent upon the capital invested?

Mr. PECKITT. Yes, sir.

Senator McCUMBER. And the capital invested as you have it there means the actual cash that has gone into the business?

Mr. PECKITT. Yes, sir. Oh, I beg your pardon—in the beginning, do you mean?

Senator McCUMBER. Does the capital invested mean the actual cash that has gone into your business, or does it mean watered stock, and so forth?

Mr. PECKITT. At the start, as you may say, some of it—the common stock—was watered stock. The capital to-day means that we have put into the business—

Senator WILLIAMS. What was that statement? Will you repeat it, please?

Mr. PECKITT. The common stock was really given as a bonus. We have a million and a quarter of common stock and two and one-half millions of preferred stock.

Senator McCUMBER. But in figuring your net earnings, you base them upon both common and preferred?

Mr. PECKITT. Yes, sir. I have to do that, because that is the capital of the company.

Senator CLARK. The stock was all issued, was it—both common and preferred?

Mr. PECKITT. Yes, sir.

Senator CLARK. Then your stock investment was about 66½ cents on the dollar?

Mr. PECKITT. Yes, sir.

Senator McCUMBER. That would make a percentage upon the actual investment of about how much? You say it is 5 per cent on the whole.

Mr. PECKITT. On two and one-half millions it would be about 8 per cent.

Senator WILLIAMS. One other question right there: In increasing your stock, from the time you first started, have any of the increases been in the shape of bonuses to the stockholders?

Mr. PECKITT. No, sir.

Senator WILLIAMS. All your increases since that time have been actually paid for in money?

Mr. PECKITT. We have not had any increases, sir, since the start.

Senator WILLIAMS. You have not had any?

Mr. PECKITT. Not in stock; no, sir.

Senator WILLIAMS. Neither preferred nor common?

Mr. PECKITT. No, sir.

Senator WILLIAMS. Have you accumulated any surplus?

Mr. PECKITT. Yes, sir.

Senator WILLIAMS. How much?

Mr. PECKITT. We have to-day a surplus of about \$700,000. I do not mean cash, gold dollars, but I mean to say that our books show that we have about \$700,000 of surplus.

Senator CLARK. What does that consist of?

Mr. PECKITT. It consists largely of improvements to plant, I assume—money we have not attempted to take out of the earnings.

Senator WILLIAMS. How much cash surplus have you?

Mr. PECKITT. Cash assets, over and above our liabilities?

Senator WILLIAMS. No, no; your cash surplus. Have you got anything that you have accumulated as cash surplus; surplus that is now represented by cash?

Mr. PECKITT. Yes; we have about \$400,000 of what I call working capital in the business.

Senator WILLIAMS. About \$400,000 of cash surplus; and the balance of your surplus has been put back into the business?

Mr. PECKITT. Yes, sir.

We are known in the trade as producers of merchant pig iron, having no finishing mills of our own, and I shall therefore confine myself to that commodity and to iron ore in addressing you at this time.

My impression is that the Dingley bill called for a duty of \$4 a ton on pig iron, and that the Payne-Aldrich bill reduced the amount to \$2.50. The Underwood bill now proposes to make the duty 8 per cent ad valorem, which I believe means 8 per cent of the price of foreign iron f. o. b. port of shipment, and which I am afraid would be a serious handicap to us.

Senator CLARK. You say the Underwood bill proposes a duty of 8 per cent?

Mr. PECKITT. Eight per cent ad valorem.

Mr. BUTLER. It is 15 per cent—a reduction of 8 per cent.

Senator CLARK. As I understand, section 1 of the Underwood bill proposes a duty of 15 per cent ad valorem.

Mr. PECKITT. I understood it, sir, to be 8 per cent. I may be mistaken.

Senator CLARK. No; 15 per cent. It is suggested by the preceding speaker that it is an 8 per cent reduction.

Mr. PECKITT. I thought Mr. Butler was in error in that. I understood it was 8 per cent. That will alter my calculations a little bit as I go on.

In citing an example as to why, in my opinion, the rate recommended by Mr. Underwood is too low, I might mention English. Middlesboro pig, which doubtless would be heard from to a serious degree, and perhaps more than any other point at present, on any such basis of duty as we are now considering so far as our district is concerned.

No. 3 Middlesboro pig to-day is selling at 49s. cash, or approximately \$14.72 f. o. b. either Philadelphia or New York, which are, of course, the tidewater points that interest us directly, for our plants in Pennsylvania and New Jersey are within a radius of 60 to 80 miles of the seacoast.

The cost of the Middlesboro iron, itemized, is as follows:

No. 3, f. o. b. Middlesboro, 49s., equals.....	\$11. 95.
Duty, 8 per cent.....	. 95.
River Tees dues, 3d.....	. 06
Insurance, 3d.....	. 06
Freight—average, say, 7s.....	1. 70
	14. 72

Senator CLARK. You would have to add to that 75 or 80 cents for the discrepancy in the duty.

Mr. PECKITT. For the mistake I made in figuring the duty; yes, sir.

The present rate of freight to New York or Philadelphia happens to be 9s. per ton, but this is abnormal, and over the last two years I have known it to be as low as 5s. per ton.

I am also not unmindful of Chinese pig, which under the present rate of duty is to be found along our Pacific coast in considerable quantity, and which a year or so ago was also found in New York and Philadelphia. My opinion, however, is that it will be some little time before Chinese pig will be brought into this country in sufficient quantity to do much harm. Middlesboro iron, of which there are at present more than half a million tons stored on the other side, is really what I am afraid of just now.

Our producing capacity is approximately 300,000 tons of pig iron yearly, and we are also miners of iron ore, to a small degree, producing upward of 200,000 tons annually from our New Jersey properties.

The present average cost of pig iron in this neighborhood, which includes the Lehigh and Schuylkill Valleys of eastern Pennsylvania, is about \$13.75 per gross ton; and as many of the producers are without either fuel or ore of their own, the cost may be considered as net, or without any profit on the ingredients comprising the cost.

As the market for our product, owing to competition in other districts, is pretty much restricted within, say, a radius of 100 miles, and as the average railroad freight to the point of consumption is at least \$1 per ton, I am afraid foreign iron would close most of our furnaces hereabouts, excepting in boom times, which on any such basis of duty would be a rare occurrence.

I do not wish to be misunderstood in these statements, and am speaking for the district as a whole, admitting at the same time that there may be one or two exceptions, who, largely self-sustaining in ore and coke, can doubtless manufacture at a somewhat lower cost, which will surely be needed if the duty on finished products is to be cut to the Underwood schedule.

You may remember my position a couple of years ago as regards the duty on pig iron and on iron ore. At that time I contended that \$2.50 on pig iron was as low as the industry would stand for a long time, and further thought that the duty on iron ore should be gradually reduced rather than made free at one sweep, which was afterward modified by leaving it 15 cents per ton as against 40 cents in the Dingley schedule. I shall, however, make no further claim for the retention of the iron-ore duty, feeling that perhaps the time has now come when all raw materials should be on the free list. But pig iron is not raw material; and I therefore urge the present lawmakers to reaffirm the Payne-Aldrich rate of \$2.50, as being

imperative if the industry in the eastern section of Pennsylvania is to be preserved.

I have been told on good authority that Mr. Underwood says the average cost of American pig iron is \$12 a ton, and that every commodity should stand a fair proportion of the Government revenue—which, generally speaking, may be about right. But unless there is to be a pronounced reduction of wages throughout the eastern section we can not hope for any such costs. Owing to general business depression, our total production of pig iron during the last year was down to 143,728 tons, costing (all fixed charges included) \$13.78 per gross ton.

We employ from 900 to 1,500 men, depending on the number of furnaces in operation, and the maximum and minimum payroll over the last 10 years is from \$416,150 to \$782,566 per annum.

The group of eastern Pennsylvania and New Jersey furnaces producing merchant pig iron have a combined output of approximately three and a quarter million tons, all of which would be equally affected by the proposed reduction of duty.

In conclusion, it seems to me unfair to propose a rate of duty that will open a gateway for foreign pig iron to such an extent as to close our industries and practically ruin a business representing millions of dollars of investment and employing large numbers of men.

I therefore urge you to do what you can to have the present rate of duty on pig iron continued.

Senator CLARK. Where do you get most of your iron ore?

Mr. PECKITT. Our own iron ore comes from New Jersey, and is about 50 miles from the furnace.

Senator CLARK. Where are the largest importations of iron ore from?

Mr. PECKITT. The largest importation of iron ore into this country is from Cuba.

Senator CLARK. You used an expression to the effect that you thought perhaps the time had come for raw material to be put on the free list.

Mr. PECKITT. Yes, sir.

Senator CLARK. That would include not only iron ore, but coal and other commodities. How do you think that would affect the coal interests? Do you not think it would be more equitable to have a sufficient duty upon your product, and also leave a sufficient duty upon the raw material which you use, which would work to the advantage or perhaps the necessities of the producer of your raw material, which is his finished product?

Mr. PECKITT. That might be, perhaps, the systematic way of looking at it; but it seems to me that rather than use our own raw material, it might be better to import it.

Senator CLARK. What is the good of our raw material unless we do use it? However, I will not ask you that, because I do not care to enter into an argument. You are looking at the matter from your standpoint as a manufacturer; and from your standpoint I presume you are correct.

Mr. PECKITT. From the standpoint of general manufacturing, in which I am engaged; yes, sir.

I should like to say one word more about labor.

The CHAIRMAN. Yes; we should like to hear about the conditions of labor.

Mr. PECKITT. I have lately heard a great deal of talk about labor in iron and steel works, particularly blast-furnace labor. The work of a blast furnace, as has been stated, is a metallurgical process requiring continuous operation. Our system of changing the weekly shifts so that men on day turn may change to the night turn without interruption is a little different from the practice at most other plants. It partly does away with the so-called long turn of 24 hours. The change is made each Saturday noon. As an example, we will suppose that the night shift, having worked each night up to and including Friday night, is now ready for the change. At Saturday noon, this night shift, after a rest of 6 hours, again reports for duty, and works until 6 p. m., which, you will notice, after another rest of 12 hours, places it on the day shift ready to begin the new week. That shows that our men in the blast-furnace business, which is continuous, never work longer than 12 hours at a stretch.

Senator McCUMBER. I should like to ask you a question about the character of the ore that you get in New Jersey, in what form it is, and the process that is necessary to produce the iron from it. I know something about the iron ore of the Superior region, which comes in a granulated form, and can be practically shoveled with a steam shovel on the hills; but I do not know so much about the ore in the eastern sections where you obtain it. I shall be much obliged, therefore, if you will describe that ore to us, and what treatment is necessary.

Mr. PECKITT. Senator, there is a wide difference between the iron ores in the Lake Superior region and those to be found in New Jersey.

Senator McCUMBER. I understand that to be the case.

Mr. PECKITT. The ores in Lake Superior, as I understand, are largely what are known as hematite ores. Those that we have in New Jersey are magnetites. The only difference between the two varieties is that one of them is a different oxide of iron from the other. The magnetite has a little more oxide than the hematite. The magnetic ores, such as we mine in New Jersey, are usually found pretty deep underground. Our mines are down now about 800 to 1,000 feet.

Senator McCUMBER. In what form is it mined?

Mr. PECKITT. They are in what are known as veins, stratified vein formation in between hanging and flat walls of granite and silicious rock.

Senator McCUMBER. It is not mined in a granulated form?

Mr. PECKITT. The ore itself is brought out pretty much as a solid mass. We break it down with dynamite and powder, and we then bring it up; and, depending on its composition as it comes out, we either ship it directly to the furnaces after crushing it or we separate it.

Senator McCUMBER. It has to be crushed?

Mr. PECKITT. Most of it has to be crushed; yes, sir.

Senator McCUMBER. That makes the expense of handling it and extracting the iron out of it very much greater than is the case in the iron ore of the Superior region, does it not?

Mr. PECKITT. It adds somewhat to the cost; yes, sir. But even in the Superior district some of the ores have to be assorted and the iron enriched, I suppose. We simply take out our rock to enrich the units of iron, the percentage. The New Jersey ores, however, do run higher in metallic iron than the Lake ores.

Senator McCUMBER. On the average, is the cost of the iron from the ores in the eastern sections more than the cost of obtaining the iron from the Lake Superior sections?

Mr. PECKITT. I should not like to speak about the Lake Superior sections, because I never have been engaged there. But I should say the average cost of producing iron ore in the State of New Jersey would be from \$2 to \$2.25 per ton, based on a finished ton of merchantable ore, running from 52 to 60 per cent of metallic iron.

Senator McCUMBER. What I want to get at is this: Does it cost more to produce a ton of pig iron from the iron ore in the eastern section than it costs to produce a ton of pig iron from the Lake Superior ore?

Mr. PECKITT. Yes, sir; in some sections of the West they can produce cheaper than we can, on account of their fuel, perhaps. They may have cheaper fuel than we have. We have a long haul on our fuel from the Connellsville district, and the freight on that alone is \$2 a ton, on the coke. So I assume our cost of manufacture is higher than their cost.

Senator McCUMBER. The importation from Cuba enters into what sections of the United States?

Mr. PECKITT. It goes very largely to the Bethlehem Steel Co., at South Bethlehem, Pa., and to the Pennsylvania Steel Co., at Harrisburg.

Senator CLARK. Does the Pennsylvania Steel Corporation own its own mines in Cuba?

Mr. PECKITT. Yes, sir.

Senator CLARK. And also the Bethlehem Co.?

Mr. PECKITT. Yes, sir.

Senator McCUMBER. The present duty is 25 cents a ton on iron ore?

Mr. PECKITT. 15 cents a ton. It was 40 cents, and was reduced.

Senator McCUMBER. Would there be any great increase in the importation from Cuba if we should take off that duty of 15 cents per ton?

Mr. PECKITT. I do not think so.

Senator SIMMONS. Is there not a differential?

Senator McCUMBER. Very well; then, if there would be no gain from taking it off, what objection would there be to leaving it on?

Mr. PECKITT. Only the general principle that has been in favor of using foreign material rather than our own material.

Senator McCUMBER. But I understand that the ore from Cuba would be used only in certain sections and in very limited quantities in the United States, that we are obtaining some revenue from it, and the industry would not be injured by that importation.

Mr. PECKITT. Oh, I think you are quite right there, sir.

Senator McCUMBER. Therefore the Government might well continue its little duty of 15 cents a ton without any injury to American mining industries.

The CHAIRMAN. It is 12 cents on Cuban ore.

Senator McCUMBER. Yes; there is a reduction of 20 per cent, so that it is 12 cents on the Cuban ore.

The CHAIRMAN. The duty is a nominal one and can be defended as a revenue proposition outside of any other considerations.

Mr. PECKITT. A duty of 12 cents a ton would add something to the revenue, of course. It would largely affect the Bethlehem Steel Co.

and the Pennsylvania Steel Co. The independent furnaces do not obtain much ore from Cuba.

Senator CLARK. Do you know how much Cuban ore is brought into this country aside from the ore that is owned by the steel manufacturing plants that import it?

Mr. PECKITT. I have not the figures, sir; but I should say the amount is very small.

Senator CLARK. That was my notion of it.

Senator SIMMONS. Let me ask you this question: Do you think the small duty there is on iron ore now, especially Cuban ore, where we get most of our importations, at all affects the price of iron ore in this country?

Mr. PECKITT. No, sir.

The CHAIRMAN. That is all, Mr. Peckitt.

Senator WILLIAMS. I suggest that before you leave you run over your papers and change the 8 per cent to 15 per cent.

Mr. PECKITT. I will do so.

At a later stage in the hearing the following occurred:

Mr. PECKITT. In my testimony awhile ago there seemed to be some difference of opinion as to the duty on pig iron. I contended in my statement that the duty was 8 per cent ad valorem. According to the act here, which I have in my hand, it is 8 per cent ad valorem, so there will not have to be any correction.

Senator CLARK. To what section are you referring?

Mr. PECKITT. The pig-iron section, on page 2.

Senator SIMMONS. What do you mean—the ore?

Mr. PECKITT. The pig iron. The dutiable list says, "Iron in pig, iron kentledge, spiegeleisen, wrought and cast scrap iron, and scrap steel, 8 per cent ad valorem."

Senator CLARK. That is right.

Mr. PECKITT. So I will not correct my statement.

The CHAIRMAN. The committee will now hear Mr. W. L. King, representing the Jones & Laughlin Steel Co.

**STATEMENT OF MR. WILLIS L. KING, OF PITTSBURGH, PA.,
REPRESENTING THE JONES & LAUGHLIN STEEL CO.**

Mr. KING. Mr. Chairman, I thank you for the opportunity of appearing before the committee. I may say that the statements I am about to make are somewhat general, and may not agree with the ideas of some members of the committee, but I shall be very glad to answer any questions that I can that may be asked.

Senator WILLIAMS. What is your name?

Mr. KING. Willis L. King. I am vice president of the Jones & Laughlin Steel Co., of Pittsburgh.

On behalf of the stockholders of the Jones & Laughlin Steel Co., of Pittsburgh, and their many thousands of workmen, I respectfully but earnestly protest against any revision of or reduction in the present tariff on iron and steel products, on the general ground that it would be against public policy, and also for the following specific and cogent reasons:

First. Because the tariff of 1909 barely affords the protection necessary to compete with foreign countries on our eastern coast, and does not do so on the Pacific coast.

Second. Because the low cost of labor and low freight cost of assembling raw materials abroad will always prevent our successful competition.

Third. Because there is no economic advantage to be gained by consumers of steel products, in that prices are, and have been for some time, very low in this country, and the large excess steel capacity here will take care of any demand that may arise in the future.

Fourth. Because the steel industry is now operating unprofitably, and the added burden of foreign competition would compel drastic reductions in wages and the closing down of many plants.

Fifth. Because foreign steel can be transported to our eastern seaboard for one-third to one-half less than from Pittsburgh, and foreign vessels would carry the freight, to the great injury of our railroads and their employees.

Sixth. Because there is as yet no reliable basis of comparison as to costs here and abroad, and it is manifestly unfair, as well as unbusinesslike, to reduce duties until such information has been obtained from the Tariff Board, which, I believe, is now trying to secure this data.

Seventh. Because a reduction in the tariff on iron and steel products would be legislation in favor of foreign manufacturers and against our own flesh and blood. I make this statement with great confidence, on the authority of St. Paul, who says: "But if any provide not for his own, and especially for those of his own house, he hath denied the faith and is worse than an infidel."

All these special reasons, however, can be summarized in one, viz, the question of public policy; for an inevitable reduction in wages and enforced idleness of the workmen following a reduction in the tariff will add alarmingly to the spirit of unrest that is so apparent even under the high wages now paid; and I bespeak your earnest consideration of this question.

Of the steel products that we make wire, wire fencing, nails, spikes, and cotton ties are placed on the free list by the Underwood bill, and the following reductions are made in our principal products:

	Payne law.	Proposed law.
	<i>Net ton.</i>	<i>Net ton.</i>
Steel bars.....	\$6.00	\$2.00
Steel plates.....	8.00	3.00
Structural.....	8.00	3.00

These figures are based on a price of 1 cent per pound at foreign ports, which I know the English have and are selling at.

The placing of wire and other products on the free list is wholly indefensible, and the small duty specified on other steel lines is entirely inadequate to allow domestic mills to operate at any profit in competition with foreign works.

While lack of business and excess production have brought about such conditions among American manufacturers that prices are now unprofitable, it is certainly to their credit that wages have not been reduced; but with the additional competition from abroad a serious reduction is inevitable. In my opinion the standard of American living is in more deadly peril than at any other time in the last 50

years, and if any bill approximating the proposed House bill becomes a law serious financial troubles and economic disturbances will result.

I have not brought with me the cost of producing steel in this country, because you can secure this information in detail through several departments of the Government. I am sorry that the foreign costs are not available; but the fact that England, Germany, and Belgium export by far the greater part of their production will convince you, I feel sure, of their ability to manufacture cheaply.

In closing, I ask your thoughtful consideration for this important subject.

I shall be glad, gentlemen, to answer any questions I can which you may desire to ask.

Senator WILLIAMS. You manufacture structural steel and plates?

Mr. KING. And bars, largely. We make a very large line, including tin plate and wire products. I may say, for the information of the committee, that the consumption in this country of steel bars, which are something that everybody uses, is far larger than that of any other one line. I believe that the consumption of steel bars alone would be about 7,000,000 tons.

Senator WILLIAMS. Are any structural shapes and plates exported from the United States?

Mr. KING. The corporation, I think, have exported some in a small way.

Senator WILLIAMS. Do you know about the annual value of the exports?

Mr. KING. No, sir; I do not happen to know that.

Senator WILLIAMS. Have steel bars been exported?

Mr. KING. Only by the corporation, I believe.

Senator WILLIAMS. When you say "the corporation," you mean the United States Steel Corporation; do you?

Mr. KING. The United States Steel Corporation; yes. That is the way we designate them.

Senator WILLIAMS. It is "the corporation"?

Mr. KING. "The corporation."

Senator WILLIAMS. Like a man in my country is always called "the colonel."

Mr. KING. I was about to say that I think in normal times the annual consumption of plates in this country is about two and a half millions tons, and about the same amount of structural material, and six or seven million tons of bars. So you see that these three articles are more than half of all the steel lines produced in this country, and to that extent are the more important.

Senator HEYBURN. Can you reduce the tons to dollars? It is easier to compare wages in dollars than it is in tons. You say "6,000,000 tons." What would that represent in dollars?

Mr. KING. Unfortunately, to-day we are selling that stuff as cost, Senator, and it represents about \$22 a ton at the present time in the mill at Pittsburgh. If you multiply 6,000,000 by \$22 that would be \$132,000,000.

Senator HEYBURN. Yes; we can figure that out. That is in that one item?

Mr. KING. Yes, sir.

Senator HEYBURN. It would be very much more convenient, in considering this item of labor, to have it in dollars rather than in tons

because you can not divide wages into tons or tons into wages, but you can divide dollars into wages.

Mr. KING. I understand.

Senator WILLIAMS. What is the capitalization of your plant?

Mr. KING. Our capitalization is \$30,000,000, and we have \$25,000,000 of bonds.

Senator WILLIAMS. Have you any surplus?

Mr. KING. Yes, sir.

Senator WILLIAMS. How much of the stock has been issued as bonus to the stockholders?

Mr. KING. There was no bonus in our concern. It was practically a partnership.

Senator WILLIAMS. Has all the stock been paid for?

Mr. KING. Entirely; yes, sir.

Senator WILLIAMS. Yours is fully paid-up stock?

Mr. KING. Paid-up stock.

Senator WILLIAMS. How much of it is common, and how much preferred?

Mr. KING. We have only one kind; only one sort of stock—common, or whatever you may call it—one stock.

Senator WILLIAMS. I think you are the gentleman who was referred to this morning as having begun business about 1850; that is, I mean your plant?

Mr. KING. Yes; my predecessors.

Senator WILLIAMS. I mean your predecessors. They were predecessors of your own family, were they not?

Mr. KING. Yes, sir.

Senator WILLIAMS. But you have largely inherited it, and your plant is upon a somewhat different basis from most others?

Mr. KING. Yes, sir.

Senator WILLIAMS. If you have not the figures with you, I wish you would prepare and send to the clerk a statement for the last 10 years, as nearly as you can give it, of your annual sales, what you paid for wages, and what you sold your product for. What dividends did you declare? You are incorporated, are you not?

Mr. KING. We are a Pennsylvania corporation; yes, sir.

Senator WILLIAMS. What dividend did you declare in 1908?

Mr. KING. Four per cent.

Senator WILLIAMS. What was it in 1909?

Mr. KING. I think we have declared a dividend of 4 per cent regularly since the panic of 1907.

Senator WILLIAMS. Did that dividend represent your entire profit of operation?

Mr. KING. Oh, no, sir; no, sir. We could not exist on 4 per cent and keep up improvements and betterments.

Senator WILLIAMS. I knew that, but I was afraid your statement might give a wrong impression. What became of the balance of the profits?

Mr. KING. It went into improvements.

Senator WILLIAMS. In keeping up your old machinery, and in putting in new machinery?

Mr. KING. Yes, sir.

Senator WILLIAMS. How much of it was an increase of the plant, approximately; not merely restoration of depreciated stuff?

Mr. KING. Senator, the \$25,000,000 worth of bonds that I spoke about is rather a new issue, to build an entirely new plant some 20 miles below Pittsburgh, on the Ohio River.

Senator WILLIAMS. That is an indebtedness?

Mr. KING. Yes.

Senator WILLIAMS. I am not talking about that. I am talking about so much of your profits as went back into your business. About what proportion of that constituted an increase and addition?

Mr. KING. In addition to the dividends, do you mean?

Senator WILLIAMS. Yes.

Mr. KING. I could hardly answer that offhand for four or five years, I think, Mr. Williams.

Senator WILLIAMS. Then put that information in, too, will you?

Mr. KING. Yes, sir.

Senator WILLIAMS. I do not want to embarrass you at all; I mean, I do not want to ask you questions you are not prepared to answer immediately, because you have to figure them out; that is all.

Senator SIMMONS. Just one question: Mr. King, you speak for the whole iron industry, I believe?

Mr. KING. As Mr. Butler said, we had an informal meeting in Pittsburgh some 10 days ago, and I was selected to speak largely on plates and structural steel for the so-called independent industry. We do not in any way represent the United States Steel Corporation; but plates and structural steel are so closely interwoven with our other products, like bars, that I have made my statement rather general, including bars.

Senator SIMMONS. I understood you to say, however, that in your judgment, if the duties on iron and steel and the products thereof were reduced as proposed in this bill, or reduced at all, we would not be able to hold our home markets against foreign competition?

Mr. KING. That is my belief, especially along the seacoast.

Senator SIMMONS. As a matter of fact, England has a preferential tariff in the Canadian market of about 35 per cent, has it not?

Mr. KING. Thirty-three and one-third, I think.

Senator SIMMONS. Somewhere near 35 per cent?

Mr. KING. Yes, sir.

Senator SIMMONS. That being the case, how do you reconcile the fact that in 1910 we in the United States sold to Canada, where England has this preferential rate, \$51,000,000 worth of iron and steel and manufactures thereof, while Great Britain sold only \$11,000,000?

Mr. KING. There are two reasons for that, in my opinion, Senator. One is the matter of promptness in getting material from the United States as against the English manufacturer. The second is that the sales that the United States made in Canada were largely in the western or manufacturing part of Canada, where England had to pay quite a heavy freight from Montreal inland.

Senator SIMMONS. England had to pay heavy freight?

Mr. KING. Rail freight in western Canada. They must go from the seacoast, of course, to the consumer in western Canada. It is a very long haul, and the rates they have to pay from the seacoast are quite high.

Senator SIMMONS. Your point is, then, that the freight rate was against us?

Mr. KING. No; it was against the Englishman, as against our freight rate. We could get to western Canada, in other words, more cheaply on a freight rate than the English could after paying the vessel freight and the inland railroad freight.

The CHAIRMAN. You have lake transportation, in other words?

Mr. KING. Yes, sir.

Senator SIMMONS. That overcame, you think, the dollars and cents of the tariff?

Mr. KING. To a large extent it must have overcome it, because the fact is that we did it.

Senator SIMMONS. How much did it overcome it?

Mr. KING. It overcomes it to the extent that they buy from us, as I have said.

Senator SIMMONS. Did it overcome it to the extent of what you claim is the difference between the cost of production here and the cost of production in England?

Mr. KING. Added to the question of promptness in delivery, I think it does.

Senator SIMMONS. Will you be kind enough, if you have not got it now, and can get it—you are in this industry, and of course you are interested in the freight rates in all the competing countries—to put in the record here the advantage that England has in freight rates?

Mr. KING. I shall be very glad to do that. I think I shall be able to do that. But I might say further, in explaining our large exportations to Canada, that the English manufacturers have been very prosperous, and prices are very high at home. In fact, in looking over the whole world, the United States seems to be the only country where the manufacturers of iron and steel have not been prosperous. That is particularly true of England and Germany; and the fact that they have been able to get good prices at home, and perhaps can export to other countries under more favorable conditions, I think, will account for their lack of selling so much in Canada as they otherwise would.

Senator SIMMONS. In what proportion of the Canadian iron trade, if you can state it, does England enjoy this advantage in freight rates over us? You said England had an advantage over us in freight rates in certain sections.

Mr. KING. Yes.

The CHAIRMAN. The advantage, Senator Simmons, is in favor of the United States.

Senator SIMMONS. I just got it reversed.

Mr. KING. I might answer that by saying that on the seacoast, for instance, in Montreal, where there is no rail freight connected with the matter at all, England certainly has an advantage, not only in the rate that we have to pay there as against their lower rate but also in the preferential duty. But when you come to that section five or six or seven hundred miles inland in Canada, and we have the cheap transportation across the Lakes, that gives us that advantage.

Senator SIMMONS. What I understand you to say—and I want to understand you correctly, because I consider it is important and material—is that in parts of Canada we have a freight advantage over England.

Mr. KING. Yes, sir.

Senator SIMMONS. And in parts we have not a freight advantage over England?

Mr. KING. Yes, sir.

Senator SIMMONS. I want to get you, if possible, to segregate the iron trade of Canada so as to show in what part of it we have an advantage and in what part of it we have not an advantage.

Mr. KING. Yes, sir; I think I can do that.

Senator SIMMONS. Do I understand you to say that in the sections where we have the freight advantage you think that advantage is enough in our favor to overcome the preferential tariff that England has in that market, and also to overcome the difference, to the extent you claim there is a difference, in the cost of production here and in England?

Mr. KING. Coupled with the proviso that buyers are always willing, when they want material in a hurry, to pay a little more for it sometimes than wait. We can ship more quickly.

Senator SIMMONS. In that section of Canada where freight rates are about equal, where we have not this advantage and where England has this preferential, how do you account for the fact that we sell over England?

Mr. KING. We can not do it on equal terms.

Senator SIMMONS. Do we not do it?

Mr. KING. We do it to some extent on account of special sections we have made rolls for from time to time; they may not be able to get those in England. In other words, there is a question of availability and quickness in getting material from the United States that operates in our favor, even if the price were against us.

Senator SIMMONS. I believe the statistics show that we are exporting to Mexico, I think something more than twice as much steel and iron, and the products thereof, as England is. How do you account for that?

Mr. KING. I am not familiar with the exact figures, but I do know that quite considerable American steel goes into Mexico. I think it is largely rails, though.

Senator SIMMONS. I want to ask you another question. The statistics show, as I remember it—we had it up here a day or two ago—that of iron and steel rails sold in the neutral markets of the world, where tariff conditions are supposed to be the same as between Europe and this country, we sold in those neutral markets, in 1910, \$10,546,000 worth, as against \$13,000,000 for England, \$12,000,000 for Germany, \$4,000,000 for Belgium, and \$3,480,000 for Holland. How do you account for that? How are we able to go into these neutral markets, where tariff rates are the same, and sell within a fraction as much of steel rails as England sells, within a fraction of as much as Germany sells, more than twice as much as Belgium sells, and three or four times as much as Holland sells?

Mr. KING. Senator, we do not make rails, as you probably know.

Senator SIMMONS. You mean you do not make steel rails in this country?

Mr. KING. No, sir; we do not manufacture steel rails at all.

Senator SIMMONS. Your concern; but you have been speaking for the steel industry.

Mr. KING. Not for rails, if you will excuse me.

Senator SIMMONS. You do not speak for those at all?

Mr. KING. No, sir; I do not know anything about the details of that trade.

Senator SIMMONS. You do not know anything about steel rails?

Mr. KING. Of course, in a general way, I know how they are manufactured.

Senator SIMMONS. If we can compete with England and Germany and Holland and Belgium in steel rails, we ought to be able to compete with them in the other products of steel and iron, ought we not?

Mr. KING. I would answer that in this way: I think that the United States, if they chose to sell an article—a small amount of it—in any neutral market, they would perhaps be justified in doing it; in other words, say, if you choose, for the sake of running your mill full, and thought it was good policy, to sell 10 per cent of your product abroad, even at cost or a little less than cost, I think that would be good business. I think that perhaps is what the rail makers do. But I believe England exports 40 per cent of her product, Germany 50 per cent, and Belgium 60 per cent; and when it comes to those countries it is very evident, if they can export such a large proportion of their entire product, they must make it more cheaply than we do.

Senator SIMMONS. But it appears from statistics that, leaving out the exports from one European country to other European countries, and leaving out the exports of European countries to their dependencies and colonies, in the neutral markets of the world the United States is exporting as much steel rails, within a fraction, as any country in Europe. You would not call that a dumping process, would you?

Mr. KING. I would call that a question of policy, a question of whether they desired to run their mills to that much larger extent for the small amount they export.

Senator SIMMONS. Would you not consider the fact that the United States can sell steel rails in the neutral markets of the world in competition with England, and get practically as large a share of the steel-rail trade of the neutral markets of the world as England, as indicating that we can compete with England?

Mr. KING. I think we could compete, to a small extent.

Senator SIMMONS. If we can compete with England in the sale of steel rails in the neutral markets of the world, as is shown by the fact that we are selling practically as many steel rails in the neutral markets as England is, why can we not compete with England in that product in our own market?

Mr. KING. That is a question that is very pertinent, I think, from your side of the house.

Senator SIMMONS. Is not that a pertinent question from any side of the house?

Mr. KING. I would say in reply to that that the English cost is less than that in this country. I believe that, although I do not make rails and can not speak intelligently on it.

Senator SIMMONS. Will you not give the committee, if you can, a reason why, if we can and do compete with England in this product in the neutral markets of the world and sell as much, or practically as much, to these neutral customers as she does, we can not do that same thing right here at home?

Mr. KING. I think that the English do just as the Americans do; their home market is their best market.

Senator SIMMONS. It does not strike me that that is an answer to the question.

Mr. KING. It may not be a logical answer, but I think it is a fact.

Senator CLARK. You are qualifying Mr. King as an expert on matters about which he absolutely disclaims any expert knowledge.

Senator SIMMONS. He is in the iron and steel trade.

Mr. KING. But not for rails.

Senator WILLIAMS. You make structural shapes and plates?

Mr. KING. Yes, sir.

Senator WILLIAMS. You said that the corporation exported some of those?

Mr. KING. They have made a strong effort to export for the last 8 or 10 years.

Senator WILLIAMS. I want to ask you this question, as to the price at which you sell structural shapes and plates and the prices at which the corporation sells them.

Mr. KING. Export, do you mean, or domestic?

Senator WILLIAMS. No; here in the home market.

Mr. KING. They are exceedingly low, Senator, now.

Senator WILLIAMS. That is not what I am getting at. I want the comparative prices at which you sell them and at which they sell them.

Mr. KING. In the home market?

Senator WILLIAMS. Yes.

Mr. KING. They are practically the same.

Senator WILLIAMS. Practically the same?

Mr. KING. They must be the same, you know, or you can not do business—or about the same.

Senator WILLIAMS. They have been identically the same, have they not?

Mr. KING. In times of great demand they have.

Senator WILLIAMS. Now, I want to ask you this question: How was that price fixed?

Mr. KING. You are not talking about rails now, are you?

Senator WILLIAMS. No, I am talking about structural shapes and plates, which you sold, and what the corporation—as you call it, or “trust,” as it is popularly called—also sold.

Mr. KING. I want to be entirely frank with you. In old times there have been associations or arrangements among manufacturers, I might say, certainly as far back as I go; and, from what I read, from the beginning of trade, and until the Sherman law prohibited those, very often those prices were made by arrangement.

Senator WILLIAMS. By agreement. Since the Sherman law has been enacted, and since the United States Steel Corporation has been in business, your company and other companies and this corporation have been selling at practically the same prices, have they not?

Mr. KING. They have, to a great extent.

Senator WILLIAMS. For most of the time they have been selling at identically the same prices, have they not, the same goods?

Mr. KING. I think practically you are right.

Senator WILLIAMS. Now, not before the Sherman law, but since it, and since the formation of the United States Steel Corporation, how was this substantially identical price arrived at?

Mr. KING. I might say, further, that these arrangements, these gentlemen's arrangements, have been since the passage of the Sherman law; but they were done away with when the different manufacturers became convinced that it really was contrary to the law; and there is nothing of that kind now.

Senator WILLIAMS. When they became convinced of what?

Mr. KING. That it was not in conformity with the law.

Senator WILLIAMS. Are there any differences in price now?

Mr. KING. It is so low that there can not be very much difference. You understand, probably, Senator, that one concern, large or small, makes the market for the balance of us; in other words, we have to meet the price, whatever it may be. There is no agreement of any kind, if that is what you are trying to ask me; no agreements among manufacturers. It is strictly a competitive market.

Senator WILLIAMS. That is the reason I am asking, because I understand that there is no agreement, and yet I understand the fact is that the price is from day to day the same. My premises being correct—if they are—how does it happen that this price happens to be the same?

Mr. KING. Simply because the competition makes a price that we all have to follow; in other words, if the United States Steel Corporation made a price of \$1.10 a hundred pounds on bars, we would have to follow that, and that would be our price.

Senator WILLIAMS. As a matter of fact, who does make this price—they, or any of the independent companies?

Mr. KING. Any one concern in this country, I think, in conditions of demand such as there are now, could make the price—small or large.

Senator WILLIAMS. Suppose, now, there are four corporations, A, B, C, and D, and suppose A is so situated that it can manufacture or sell cheaper, or suppose its financial condition is such that it wants to sell cheaper; how does it happen that B, C, and D learn that fact and sell that day at the same price?

Mr. KING. Simply because our people are going around every day and seeing buyers of steel, and they find out the prices of a competitor very quickly. The buyer does not need any guardian, I tell you.

Senator WILLIAMS. I ask you this: Suppose I wrote to you for certain shapes—a thing that never has happened, because I never have had money enough to do it, nor brains enough—but suppose I wrote to you, and wrote to the Steel Corporation, and wrote to these various corporations, A, B, C, and D to quote me prices on certain structural shapes f.o. b. Washington, the office building, or wherever it is. I do not know that the answer will come back from all of them the same; but how do B and C and D find out what price A is going to quote me for that thing?

Mr. KING. We all are in touch with the market every day through our salesmen, who are all over the country, and we find out what we regard as the market price; in other words, what our competitor is asking, and we ask the same thing. We would quote you what we think our competitor would quote you for the same material, in order to be on an equal basis with him.

Senator WILLIAMS. Suppose you could make some money by underquoting him a bit, would not that be good business?

Mr. KING. That might be good business when prices were high; but just at present there is no danger of that.

Senator WILLIAMS. I know; but when prices are reasonable, would not that be good business? I mean would it not be good business ordinarily; do not merchants do that?

Mr. KING. We do not make any lower prices than we can help. We try to get everything we can.

Senator WILLIAMS. I understand that; but if I want to buy, say, \$100,000 worth of your product, and the other man has priced it to me at \$1.02, and you can sell it at 99 cents and make a profit, would not that be good business?

Mr. KING. What we would do under those conditions, Senator, would be to send one of our men right to see you and try to find out what our competitor quoted you, and we would meet that, and if we wanted the order badly enough we would go a little under.

Senator WILLIAMS. Suppose he had quoted his prices to me confidentially; it would not be right for me to tell you, would it?

Mr. KING. A buyer generally does when he is out for a low price. He does not hesitate to tell what he can buy for.

Senator WILLIAMS. I am asking you most of these questions just to satisfy my own curiosity. Do you happen to know the amount of structural shapes and plates we export every year?

Mr. KING. That is all in the Government reports, Senator; but really I could not tell you off hand.

Senator WILLIAMS. We do export a considerable amount of them, do we not?

Mr. KING. That is almost entirely, I think, the United States Steel Corporation. They have an export company which has made a business of working up foreign trade.

Senator WILLIAMS. Your own company exports none?

Mr. KING. No; practically none.

Senator CLARK. Have you any foreign plants?

Mr. KING. No, sir.

Senator CLARK. Has the United States Steel Corporation, do you know?

Mr. KING. Any foreign plants?

Senator CLARK. Yes.

Mr. KING. Not that I know of.

Senator SIMMONS. Mr. King, I have understood—I do not know whether it is true or not—that during the period of the late panic, the panic of 1907, and the two years that followed, prices of steel and iron in this country were maintained, notwithstanding the prices of most other things rapidly fell. Is that true?

Mr. KING. I suppose you are talking about the Gary dinners now?

Senator SIMMONS. No; I am not talking about anything except what my question involved.

Mr. KING. I will try to answer you. The manufacturers of this country have been more or less friendly, and have got together more or less for a great many years. As I say, they stopped the meetings—that is, to make price agreements—when they thought it was contrary to the law. After the panic of 1907, as I recollect, the beginning of the Gary dinners, Judge Gary called—

Senator SIMMONS. Will you tell us when they found out it was against the law?

Mr. KING. Something like in 1904, I think.

Senator SIMMONS. In 1904 they found out it was against the law?

Mr. KING. Yes.

Senator SIMMONS. I did not ask you about any time later than 1907. I started at 1907 with my question. You know, then, in 1907, according to your statement, that these understandings and agreements were contrary to law?

Mr. KING. Yes, sir; we thought so.

Senator SIMMONS. I am asking you this question because I saw it stated in the press, and am inquiring of you as a man engaged in this industry if it was not a fact that the price of steel and iron all during the panic was maintained, did not fall, did not go down materially or appreciably, while the prices of other things did materially fall?

Mr. KING. It is not a fact, Senator, that the price was maintained at a fixed point. There was never a time that there were not variations.

Senator SIMMONS. Was there any decline during that time when things were dropping and tumbling and when the bottom seemed to be falling out; was there any decline in the price of steel and iron?

Mr. KING. Yes, sir; there was a decline of \$4 or \$5 a ton.

Senator SIMMONS. From 1907 to 1909 was the critical period of the panic. Was there any decline during that period?

Mr. KING. There was some decline; not as much as \$4 or \$5 a ton.

Senator SIMMONS. Was it not inappreciable?

Mr. KING. No, sir; several dollars a ton. I mean it gradually sagged.

Senator SIMMONS. Did it sag like other things?

Mr. KING. It sagged on account of the lack of demand—the law of supply and demand.

Senator SIMMONS. Then the general understanding that the prices of this product were maintained even during the critical periods of the panic is a mistake?

Mr. KING. That is not true, in the sense that you speak of. But I think it is only fair to say that the manufacturers did meet at those Gary dinners, and they got the habit, and the acquaintance with each other, and they had more or less confidence in each other, and the price did not decline as far as it might otherwise if they had not had those dinners.

Senator SIMMONS. As a result of those dinners it did not decline?

Mr. KING. Yes.

Senator SIMMONS. But for those dinners it might have declined?

Mr. KING. Very much faster than it did.

Senator SIMMONS. Then those dinners were for the purpose or had the effect of maintaining prices and stifling competition?

Mr. KING. It may have had the effect of preventing a very great decline; but there was no agreement, absolutely.

Senator SIMMONS. You mean there was nothing written down, nothing in the form of a written agreement, but that all went out of there with their minds together on the subject of price?

Mr. KING. No, sir; there was no price mentioned at any one of those dinners; it was just a question of policy. I might illustrate it in this way—

Senator SIMMONS. And that policy was that they were not to compete?

Mr. KING. Not at all; that they were not to do anything foolish or help along the panic.

Senator SIMMONS. Do anything foolish? That was all those dinners were to accomplish, to prevent the steel manufacturers of this country from doing something foolish?

Mr. KING. As I started to tell you, Judge Gary called that first dinner, as I recollect it, and understand it, for the purpose of telling the manufacturers or getting an expression of opinion from them as to whether it would not be good policy, for the sake of the country at large, the bankers and everybody else, that they should not become panic stricken and let prices go to pieces.

Senator CLARK. Rather to bolster up their courage?

Mr. KING. That is all it meant.

Senator SIMMONS. The newspapers said there was a time reached, somewhere about 1909, when the steel corporation concluded that the time for holding up these steel prices had passed and that there must be a reduction; and that they did come together and agree on a cut. Do you know anything about that?

Mr. KING. I know there was no agreement for any decline. I knew the corporation did it; that is all.

Senator SIMMONS. The corporation did what?

Mr. KING. The corporation put the prices down.

Senator SIMMONS. What corporation?

Mr. KING. The United States Steel Corporation. There is only one.

Senator SIMMONS. When did they do that?

Mr. KING. I think it was in February, 1909.

Senator SIMMONS. Until that corporation came to the conclusion that the time had arrived for putting prices down, the prices had been maintained?

Mr. KING. Only to a general extent; not absolutely.

Senator SIMMONS. When the steel corporation concluded to put prices down, prices went down, did they not?

Mr. KING. Naturally; they had to.

Senator SIMMONS. They had to?

Mr. KING. Yes, sir.

Senator SIMMONS. The United States Steel Corporation really controlled the price?

Mr. KING. Our company could have had the same effect upon the market as the corporation if we had put the prices down.

Senator SIMMONS. Do you mean to say that the independents could have controlled the prices, as well as the steel corporation?

Mr. KING. Most certainly.

Senator SIMMONS. Could have reduced them?

Mr. KING. In other words, any one or more of the independents—

Senator SIMMONS. Do you mean to say they could have raised the price?

Senator SMOOT. Let the witness answer.

Mr. KING. Raise the price?

Senator SIMMONS. Yes; the independents, I mean?

Mr. KING. We could not have raised the price unless the market justified it.

Senator SIMMONS. You said they could have controlled the price, as well as the steel corporation. I wanted to know whether you

meant they could control it by putting it down or raising it, as well as the steel corporation.

Mr. KING. Anyone could put the prices down, make prices low; but it is a different thing putting them up. Conditions have to be ripe for that.

Senator CLARK. In other words, the whole trade has to meet the competitive price fixed by the one who lowers it; is that it?

Mr. KING. Yes, sir.

Senator SIMMONS. You could put the prices down, but could not put them up?

Mr. KING. Exactly.

Senator SIMMONS. The steel corporation could put them up as well as down, could they not?

Mr. KING. They could not put them up unless there was a demand for it.

Senator SIMMONS. If they wanted to they could put the prices up, and you would follow them—the independents would follow them, would you not?

Mr. KING. The chances are we would. We like to get good prices.

Senator SMOOT. And that is the same with every class of business?

Mr. KING. Yes, sir; just exactly the same. There is no difference in it at all.

Senator SIMMONS. The sum total of it all is that the steel corporation has absolutely—not absolutely, but to a material extent, if not altogether—controlled the price at which steel and its products have been sold in this country.

Mr. KING. No, sir; I could not agree with you in that. They make less than half of the product of this country.

Senator SIMMONS. You assert that they can not control it?

Mr. KING. They could control it if the market conditions were back of them; in other words, if there was demand enough to keep us all busy, and keep them busy, of course they could.

Senator SIMMONS. And you would not be in the way of their controlling it?

Mr. KING. No; certainly not.

Senator SMOOT. If there were a demand so that the independents could keep busy and sell everything they could make, they could control the price the same as the steel company?

Mr. KING. The same as the steel company.

Senator SMOOT. Anyone manufacturing steel to any amount can always compel the market to drop?

Mr. KING. Can make the market for the balance; unless the demand is so strong that he will fill up, and that will be the end of it.

Senator CLARK. To the extent of his capacity?

Mr. KING. To the extent of his capacity.

Senator SMOOT. It is the same with every staple that is manufactured in the United States?

Mr. KING. Just exactly the same.

Senator HEYBURN. Did the independents ever decline to follow the Steel combine's prices upward?

Mr. KING. I do not think they did. That is asking too much of human nature.

Senator HEYBURN. They have always yielded to the gentle leading of the upward movement? [Laughter.]

Mr. KING. To be more accurate, I would say that the upward movement was generally brought about by a good market, because I do not think any of us, the corporation or anybody else, can go against the law of supply and demand very long.

Senator HEYBURN. The rule works differently as applied to downward prices, or reduction, and the rise of prices? Of course, anybody who can sell lower than his competitor can reduce the price?

Senator WILLIAMS. That is, provided he sells a sufficient quantity.

Mr. KING. Yes; a reasonable amount.

Senator HEYBURN. That rule does not apply to raising the prices. If the independents were to raise prices would the United States Steel Corporation follow them up?

Mr. KING. I think it is safe to say that the corporation are good business men and desire to do the right thing by the public, their workmen, and their competitors; and I think it is only fair for me to say that in 1906 and 1907, when the demand of the country was overpowering, none of us could furnish within 25 per cent of what was wanted. In other words, there was a far greater demand than any of us could supply—I think it only fair to say that the corporation did not put the prices up when the independents did.

Senator HEYBURN. Then may we safely conclude that, so far as raising prices is concerned, the corporation can dictate absolutely, and that the independents have never resisted any attempt on the part of the corporation to raise prices; is that a fact?

Mr. KING. Resisted the corporation in raising prices, you say; never resisted them?

Senator HEYBURN. Never resisted; never declined to follow them up?

Mr. KING. No; because any concern that makes 50 per cent of the entire production, of course, has more power, more weight on the market, than the smaller concerns, and we sell at what we understand is the market price. If they make the market price—if it pleases you to say—if they are strong enough to make the market price, that is the market price, and we sell at it.

Senator HEYBURN. I think it is better that the real facts should come out at this hearing.

Mr. KING. I am anxious to tell you what I know.

Senator HEYBURN. I think you know. I want to develop that sufficiently, and not overelaborate it, that the corporation really, then, can put steel up or down whenever it chooses to.

Mr. KING. I would say, in reply to that, that they would not attempt it unless the market conditions favored it.

Senator HEYBURN. That is a question of the application of individual judgment; but they have the power to do it?

Mr. KING. Any of us would do the same thing if we could.

Senator HEYBURN. But while they have the power to put the price up, and whenever they choose to exercise it they do, you have the power to put it up, but never exercise it; is that true?

Mr. KING. No. If we had the power to put it up to a reasonable amount—I do not think we are extortioners in the steel business—we would put it up if we could and the market enabled us to do it. If the market is not with us, we can not do it.

Senator SMOOT. Nor can the steel company?

Mr. KING. No.

Senator HEYBURN. I want to establish the responsibility for the rise in prices when they are raised, and the lowering of prices when they are lowered, but especially the rise of prices. No complaint ever comes against the lowering of prices.

Mr. KING. No.

Senator HEYBURN. The inveighing we hear and read of is always against the raising of prices.

Mr. KING. Yes.

Senator HEYBURN. Do you say the independents are never responsible for that?

Mr. KING. No, I would not say that. I would say they would put prices up if they could.

Senator HEYBURN. If they could not, it follows that they could not be held responsible.

Mr. KING. No.

Senator HEYBURN. Then they are never responsible for it?

Mr. KING. No. The corporation can not put the prices up if the conditions are not right, either, any more than we could.

Senator McCUMBER. They could not put the prices up to-day, could they, any of them?

Mr. KING. No.

Senator HEYBURN. Why not?

Mr. KING. We would get filled up and their mills would be idle.

Senator HEYBURN. You could not supply the market?

Mr. KING. No; they would get the overflow.

Senator HEYBURN. That condition would be only temporary?

Mr. KING. That would be only temporary, of course.

Senator HEYBURN. Because you could not supply the market; by and by they would have to go into the higher-priced market, or the corporation, to make up for the deficiency?

Mr. KING. Certainly they would. If they are willing to wait and have their mills closed down temporarily, we could do that.

Senator HEYBURN. Give me the relative number of employees between the independents and the corporation, if you know it; give it as you can remember.

Mr. KING. The corporation has something a little over 200,000 employees. I would say the independents, perhaps, have 225,000.

Senator HEYBURN. Is that because the independents' mills are smaller and they have to work more men to accomplish the same thing?

Mr. KING. More men. As a matter of fact, the statistics are that when the corporation was formed they produced 52 per cent of the production in this country, and the independents 48—so-called independents, everybody outside of the corporation.

Senator WILLIAMS. You mean dollars' worth? Are the percentages based on weight or value?

Mr. KING. This was on their production.

Senator WILLIAMS. Weight?

Mr. KING. The price would follow the tonnage. I am talking about production—ability to produce the steel.

Senator WILLIAMS. Though, of course, that would not follow. We heard some testimony this morning to the effect that while the corporation produced a certain percentage of the product, it did not constitute so large a percentage of the value, because they produced the

standardized things, and a great many of the independents produced specialties of various sorts.

Mr. KING. That is true to some extent.

Senator WILLIAMS. But you are speaking of the weight?

Mr. KING. That is true to some extent, but not appreciably.

Senator OLIVER. I think, rather overstated, that question about the value of the material produced by the independents being about 60 per cent as against about 40 per cent of the corporation. I think those figures are exaggerated.

Senator WILLIAMS. Go ahead. I did not intend to interrupt you. They made 52 per cent?

Mr. KING. Fifty-two per cent, as against 48 per cent of the independents. Now it is about reversed. The corporation make 48 per cent and the independents about 52, showing that the independents have increased rather more largely than the corporation have increased their capacity.

Senator WILLIAMS. Meanwhile the tonnage production of all put together has increased about how much?

Mr. KING. In 1906, when that large boom came on, we were caught without a sufficient production to supply the market, and the natural result was that everybody tried to increase his works to get some of the increased production. I think it is safe to say that since 1906 there has been an increase in production in this country of about one-third.

Senator CLARK. Is that increased production or increased capacity for production?

Mr. KING. Increased capacity, I should have said; that is more like it. We are running only about 75 per cent of that capacity.

Senator McCUMBER. You say that the corporation to-day produces about 48 per cent of the tonnage of steel and iron products?

Mr. KING. Yes, sir.

Senator McCUMBER. And the independents about 52 per cent?

Mr. KING. Yes, sir.

Senator McCUMBER. Much of the tonnage of the steel corporation is manufactured into larger articles than the independents, is it not?

Mr. KING. Quite a good deal, in the shape of semifinished material, billets, blooms, etc.

Senator McCUMBER. Therefore, the actual value of the product of the independents would be considerably greater in percentage, as compared with the steel corporation, than the ratio of 48 to 52, would it not?

Mr. KING. Yes, sir. I think that is logical and right and proper.

Senator McCUMBER. Then probably Senator Oliver is not very much out of the way when he says that approximately about 60 per cent in value may be charged to the independents and about 40 per cent in value to the steel corporation.

Mr. KING. I understood him to say 30 per cent. If he said 40, I will agree with him.

Senator McCUMBER. He said from 30 to 40; he modified it afterwards.

Mr. KING. I think that is about right.

Senator HEYBURN. I want to finish with one or two questions. Did the independents ever lead in decreasing the price of steel?

Mr. KING. If you would ask the United States Steel Corporation, they would say so.

Senator HEYBURN. What do you say? Did the independents ever lead in the reduction of the price of steel without conferring with them, or without regard to what they thought should be done?

Mr. KING. I think they have.

Senator HEYBURN. Can you state any time or circumstance when they did?

Mr. KING. No; not especially. But since 1908 we have had a weak market; that is, we have not been able to produce anything near our production—I am speaking of the trade as a whole—and under those conditions, of course, the mills' necessities govern the price. If a man feels he wants to run his mill, and can do it by making a little cut in the price, he does it.

Senator HEYBURN. Will he cut below the United States Steel Corporation's prices?

Mr. KING. Not very long.

Senator HEYBURN. That is what I want to get. I want to see just exactly how much truth and how much falsehood there is in the published and expressed statements in regard to this matter, no matter to me where it falls, on which side. What would the United States Steel Corporation do in the event you quoted a decreased price on manufactured products?

Mr. KING. I think they would meet it.

Senator HEYBURN. Immediately?

Mr. KING. Yes, sir.

Senator WILLIAMS. Did you say an increase or a decrease?

Mr. KING. Decrease.

Senator HEYBURN. So that you mean, then, so far as your capacity will permit you and your facilities for production will permit you, you can control the downward price?

Mr. KING. Yes, sir; there is no doubt about it.

Senator HEYBURN. And they have to follow you?

Mr. KING. Yes, sir.

Senator HEYBURN. Suppose you were to raise the price of your product; would they follow you?

Mr. KING. If the market justified they would.

Senator HEYBURN. That would, then, be a question of whether you were strong enough to sustain your action?

Mr. KING. It is a question of judgment of the market. If we raised the price and they thought there would be enough to go around at that raised price, they would certainly raise their price.

Senator CLARK. It is a question of absorption of the product?

Mr. KING. Exactly.

Senator HEYBURN. But if they raised the price, you would not feel like contesting it at all; you would just follow it right up, would you?

Mr. KING. We would, if our condition justified; if we needed the business. We might not advance the price until we got full, and then it would be another question.

Senator HEYBURN. That is the material question in controversy among a great many, as to whether you are in any measure responsible for the advance of prices, or whether or not the United States Steel Corporation is responsible for it. What have you to say about that?

Mr. KING. I do not think either of us is responsible. I think it is the condition of the market and the law of supply and demand.

Senator HEYBURN. That only goes to the motive for the action. I am not speaking of the justification of either in doing this, but I am speaking of the ability of either to do it. I am getting at the question of who controls the market.

Mr. KING. Senator, I think it is safe to say that anybody who makes 50 per cent of the product would have more influence than one who made 5 per cent.

Senator HEYBURN. I understand the independents have the larger end of the market.

Mr. KING. I know, but they——

Senator WILLIAMS. No one independent has, has he?

Mr. KING. No.

Senator HEYBURN. That is what I am getting at right now. You say that no one has. Has there been any effort, or is there any now being made, to unite those outside the trust for the purpose of being able to control the market?

Mr. KING. You mean into a company like the United States Steel Corporation?

Senator HEYBURN. No; I do not care what it would be like; I mean to unite under any guise or form.

Mr. KING. No, sir; not to my knowledge. There have been promoters, I think from the formation of the United States Steel Corporation, who have tried at various times to get a number of the larger independent companies together on some sort of lines as the United States Steel, but it has failed.

Senator HEYBURN. The United States Steel took options, did they not, on a great many large enterprises?

Mr. KING. They tried to on some.

Senator HEYBURN. They actually did take options on a number, and is it not true that they selected from those on which they had taken options, and did add very materially to the control that they exercised over the business by selecting those that would diminish the strength of the independents and add to theirs?

Mr. KING. That is not within my knowledge, Senator.

Senator HEYBURN. It is not?

Mr. KING. No, sir.

Senator WILLIAMS. I would like to ask this question: What company is the largest independent steel manufacturer?

Mr. KING. I think we are.

Senator WILLIAMS. What percentage of the product does your company turn out?

Mr. KING. Taking a normal tonnage of 25,000,000 tons, we would make about 5 per cent of that, about a million and a quarter tons.

Senator WILLIAMS. About 5 per cent of the total annual tonnage?

Mr. KING. Yes; perhaps a little more.

Senator WILLIAMS. What percentage would the Bethlehem Steel Works turn out?

Mr. KING. They would be considerably less; although they employ a great many men, because their product is highly finished up, like guns, and armor plate, and pumping machinery. In other words, their product would require more men, and be very much higher in price than ours. So their tonnage would be very much less.

Senator WILLIAMS. Their tonnage would be less?

Mr. KING. Very much.

Senator WILLIAMS. And the value would be somewhat greater than yours?

Mr. KING. No; it would not be greater than ours, because we make so much more tonnage than they do.

Senator WILLIAMS. Place them, say, at 4½ per cent?

Mr. KING. No; I think it would be more like 2½ per cent.

Senator WILLIAMS. What I was arriving at was this, if all the independents went together to raise the price, that would be one thing; but if you, with your 5 per cent, undertook to do it, that would be quite another thing, would it not?

Mr. KING. Oh, yes.

Senator WILLIAMS. Or if the Bethlehem Steel Works undertook it, it would be another thing. So the fight is not a fight between the independents put together, in so far as it is a fight at all, but a fight against the corporation on the one side and any independent who undertakes to fight it on the other?

Mr. KING. Yes.

Senator SIMMONS. If all the concerns were to go together and reduce the price, the steel corporation would have to follow?

Senator HEYBURN. That is just what I was trying to get at.

Mr. KING. They would; if the market sustained us, in other words.

Senator SIMMONS. If one of the independents were to begin a scheme of sharp cutting, what would become of him?

Mr. KING. He would get filled up at low prices and then the balance would get a better price.

Senator SIMMONS. Do you think the steel company would do anything to him?

Mr. KING. Do anything to him?

Senator SIMMONS. Yes.

Mr. KING. I do not know what they could do, if his bank account was good.

Senator SIMMONS. Your market is within a certain zone, is it not?

Mr. KING. No; we sell all over the United States.

Senator SIMMONS. Is there any instance in your knowledge where the steel company, finding that one independent was giving them trouble in cutting prices, have interfered for the purpose of embarrassing him in his business and brought about conditions that would force him to restore his price, or to sell out?

Mr. KING. Not to my knowledge.

Senator SIMMONS. Do you know anything about the conditions which existed with reference to the Tennessee Coal & Iron mines before they bought them out?

Mr. KING. No.

Senator SIMMONS. Were they not giving the steel company some trouble in the way of competition?

Mr. KING. I do not think they were.

Senator SIMMONS. You do not think that was an element in their desire to acquire that property, making conditions which forced the sale of that property?

Mr. KING. My idea about the acquirement of the Tennessee Coal & Iron Co. by the corporation is that they intend finally to use that for an export proposition, on account of the low cost of pig metal there, and the cost of assembling pig metal, with the ore and coal right in their back yards. There is no doubt but what they make the pig metal cheaper in the Birmingham district than in any other, and for that reason it would be a very favorable point from which to export.

Senator SIMMONS. Did not the Tennessee Coal & Iron Co. undertake to cut prices?

Mr. KING. The Tennessee Coal & Iron Co.?

Senator SIMMONS. Yes.

Mr. KING. They did not make enough to do very much damage.

Senator SIMMONS. Did they not try to cut prices? Did they not become troublesome to the corporation, as you call it, by their attempt to cut prices?

Mr. KING. I do not know it of my own knowledge. They had a market for rails there; probably have sold rails more cheaply in the south than the corporation could on account of the high freight rate. But to my personal knowledge they were not much of a competitor. As I say, my own idea of that purchase has always been that it is their intention to make it a great export proposition, on account of the cheapness of manufacture down there.

Senator HEYBURN. To cut down the volume of competition in this country—get that stuff out of the country?

Mr. KING. Yes, sir.

Senator HEYBURN. So that it would lessen the competition at home?

Mr. KING. Yes, sir.

Senator HEYBURN. I would like a minute, to ask you about structural steel on the Pacific coast. I was called to attend another committee meeting just when that question was up, and I wanted to ask a question or two. What conditions would enable American structural iron to compete on the Pacific coast?

Mr. KING. The tariff would have to be very much higher than it is now, Senator.

Senator HEYBURN. Or the freights lower?

Mr. KING. Or the freights lower. I will accept that correction.

Senator HEYBURN. Have you any figures as to how much the freights would have to be reduced?

Mr. KING. All-rail freight is 80 cents a hundred pounds to the Pacific coast, which would be \$16 a net ton. That is against five or six dollars vessel freight from Belgium. We have the opportunity of shipping by vessel from New York around to the Pacific coast at about \$11 a ton, \$11 or \$12, so that the difference would really be, say, \$7 a ton against us.

Senator HEYBURN. I would rather deal with the freight question. I want to get some foundation here for general use in legislating in regard to that matter.

How does that rate per ton on structural steel to the Pacific coast compare with the rate on other freight of the same character as to volume and shipping facilities? It is very much higher, is it not?

Mr. KING. I rather think it is.

Senator HEYBURN. Is it not about between four and five dollars higher than what you would call relative freight rates to the Pacific coast?

Mr. KING. I must plead inability to answer that intelligently. I think it is higher, though.

Senator HEYBURN. I thought you might know, being in the business.

Mr. KING. No; I have not looked into that.

Senator HEYBURN. How much a ton does it cost to ship bar steel to San Francisco?

Mr. KING. All-rail?

Senator HEYBURN. Yes.

Mr. KING. Eighty cents a hundred pounds; that is, \$16 a net ton.

Senator HEYBURN. What did you quote on structural steel?

Mr. KING. Abroad?

Senator HEYBURN. No; to ship to San Francisco, all-rail.

Mr. KING. It is the same.

Senator HEYBURN. That is what I want to get at.

Mr. KING. It is the same.

Senator HEYBURN. Then they charge the same on what you would call out-door shipping, or structural steel, that they do on the finished product of steel, do they not?

Mr. KING. Structural steel is a finished product.

Senator HEYBURN. It is not comparable with—

Mr. KING. Tool steel?

Senator HEYBURN. Yes.

Mr. KING. Oh, no.

Senator HEYBURN. And they charge as much for a comparatively low-priced article—you call that a low-priced article?

Mr. KING. Yes.

Senator HEYBURN. As for a high-priced article?

Mr. KING. I think they do.

Senator HEYBURN. And that is what shuts the steel from the Pacific coast—the freight rate?

Mr. KING. Largely.

Senator HEYBURN. If you had a freight rate reduced to a reasonable basis, you would supply that market, would you not?

Mr. KING. It would have to be reduced to such a point that I believe the railroads could not carry it profitably.

Senator HEYBURN. Do you make that statement upon any calculation you have made or upon the claims of the railroads? I know they claim it.

Mr. KING. It is more largely on their claims, I think, than my own.

Senator HEYBURN. It is a very great burden upon the Pacific coast to be at the mercy of the foreign producer?

Mr. KING. Yes, sir; we think so.

Senator HEYBURN. And I am looking for some road out of the difficulty.

Mr. KING. I hope you will find out some way out.

Senator HEYBURN. We will be somewhat persistent in trying to find it.

The CHAIRMAN. There will arrive in Washington in the course of an hour the president of a German board of trade and an inspector of the United States Customhouse Service, who are going to Europe in the morning, and who have, what Senator Lodge says are, very important statements to make regarding wages abroad. I think it important to the committee to give them an opportunity to be heard for a short time this afternoon, and if there is no objection the committee will meet again at 4 o'clock p. m.

Thereupon, at 1 o'clock p. m., the committee took a recess until 4 o'clock p. m.

AFTER RECESS.

The committee met, pursuant to the taking of the recess, at 4 o'clock p. m.

The CHAIRMAN. The committee is holding a special session for the purpose of hearing Dr. Erich Hornung. The doctor does not speak English, and Mr. Theobald Diehl, special commissioner to Europe for the Philippine Customs Service, will explain the doctor's presence here, and read a paper written by him. Then, as I understand it,

the doctor will be glad to answer any questions the committee may desire to direct to him, and Mr. Diehl will translate his replies.

Mr. Diehl, will you state how the doctor happens to be here to-day?

Mr. DIEHL. Dr. Erich Hornung is the syndikus of the Union of Manufacturers' Associations of the Solingen cutlery district.

The CHAIRMAN. How does he come to be before the committee?

Mr. DIEHL. In the interest of the Solingen cutlery producing industry. He accompanied me to the United States upon invitation of the Treasury Department, to give some information in pending customs cases involving questions of undervaluation of cutlery from the Solingen district.

The CHAIRMAN. Is the doctor at present in the employment of the United States Government?

Mr. DIEHL. The doctor is here as a general witness, and as expert under arrangement made on behalf of the Treasury Department with the Solingen manufacturers. He is still in the employment of the Manufacturers' Union, of Solingen. He intends to return to Germany Saturday.

I have been engaged on behalf of the Treasury Department in an investigation in the Solingen district, regarding cutlery values, under an arrangement made with the Government of the Philippine Islands, and as such I have spent some four months in the Solingen district. In furtherance of the purpose of my investigation arrangements were made to bring over certain manufacturers, including the doctor here, to give testimony as to the valuations of many cutlery articles in proceedings before the Board of General Appraisers in New York, the value of which was in dispute. The doctor was very anxious to appear before this committee in order to give the committee the benefit of the experience which he has in connection with the revision of the tariff.

The doctor has written a statement, which I have translated in order to shorten the proceedings, and if the committee desires I will read it.

The CHAIRMAN. Go ahead.

Mr. Diehl thereupon read the statement of Dr. Erich Hornung referred to, as follows:

Under date of December 29, 1911, the following attestation was made by the Solingen Union of Manufacturer's Associations and the Chamber of Commerce for the Solingen district in respect to the manner in which cutlery is being manufactured in and about Solingen. This attestation reads as follows:

* In accordance with an arrangement with Mr. Theobald Diehl, Special Commissioner, Philippine Customs Service, Dr. Hornung, syndikus of the Union of Solingen Manufacturers' Associations, will proceed to the United States of America to there give authentic information in reference to pertinent questions regarding tariffs, labor conditions, manufacturing methods, etc., in order to do away with the business interferences arising from customs differences, and to create at the same time a basis on which is to be determined the dutiable market value as defined in the American customs laws.

In a broad manner, the following is determined:

Solingen cutlery wares are being produced by two methods of manufacture: (a) By cottage industry; (b) by self-contained manufacturing plants.

Both methods of fabrication are organized as concerns the bulk of the production of Solingen cutlery in that payment for the various labor performances respectively for piecework is being made on the basis of mutually arranged tariffs (schedules), the observance of which is guaranteed in that certain fines are provided for a violation of same.

The tariffs (schedules) pertinent to-day are those which Dr. Hornung will present in explanation, but which are to be again returned. The bulk of those articles and kinds which are not covered by the tariffs (schedules) are being produced in nonorganized

plants, "Baerenstaellen" (bear stables), "Lohnschleiferein." Whenever articles covered by tariffs (schedules) are being produced in greater quantity in this manner some will be released (as not further covered by tariff) by both organizations. It is stated as not unpertinent, that notwithstanding these agreements, the tariffs (schedules) are circumvented, respectively, are not being kept in numerous cases, so that the finished goods are salable at a lower price than otherwise usual. Therein may perhaps be also found the explanation for the reported customs under declarations with respect to the regulations of the customs law for the theoretical determination of market value. Nevertheless it must be stated that in case a nonobservance of the mutually agreed upon tariffs (schedules) will come to the official knowledge of any one of the organizations which are party to same, the differences in wages will subsequently and additionally have to be paid.

When manufacturing according to cottage-worker tariffs, it is customary to make an addition of about 5 to 10 per cent so as to arrive at self-cost. It is customary for machine plants to make an addition of at least 25 per cent for manufacturing expenses, the plant furnishing the power and the tools.

This attestation is accompanied, as a pertinent part of same, by a line of typical quality, etc., samples, for which the agreed upon tariffs find application, likewise by typical samples which are not covered by tariffs, as well as by a line of appraised samples which serve in illustration.

UNION OF SOLINGEN MANUFACTURERS' ASSOCIATIONS.
LOUIS SABIN.
DR. HORNING.

The correctness of the above statement is acknowledged by us.
Solingen, December 29, 1911.

DIE HANDELSKAMMER.
DR. BETTGENHAUSER.
BERG.

In connection with the certificate of the Solingen Chamber of Commerce and the union of Solingen Manufacturers' Associations, dated December 29, 1911, regarding the organization of the Solingen cutlery industry, the following is to be stated:

Solingen cutlery is produced in two different manners, viz, (1) in the cottage industry; and (2) in regular factories.

The large majority of Solingen manufacturers employ workmen in the cottage industry who have their working places either in their own homes, or they rent such places in grinding plants (Mietschleifereien), the owners of which solely derive profits from the rental of same; or they rent their working places from the manufacturers, for whom they are executing work entirely or partly. In such a case the workmen have to pay a certain amount for rental of the working place, for power, light, tools, etc. A number of manufacturers and proprietors of grinding plants as described above have formed an association for the purpose of establishing common regulations for the running of their factories, and for fixing uniform minimum rates of rental which are to be collected from the workmen.

The wages for the various labor performances, such as tempering, grinding, assembling, etc., are determined and fixed in price (wage) schedules which are jointly established by the different manufacturers' associations and the various branches of the local labor organizations; these price schedules are binding for the majority of manufacturers as far as the volume of production is concerned. The observance of these price schedules on behalf of the manufacturers is guaranteed by bonds of money deposits with the manufacturers' union. The price schedules are agreed upon and made valid for one or several years, or for an indefinite period, and include a provision for an anticipatory notice for invalidating same of at least three months. Every manufacturer in the cottage industry, whether organized or not, is bound to adhere to these schedules in dealing with his workmen. When a new price schedule has been effected or an existing schedule amended the labor organizations will have to produce declaration in writing from those manufacturers concerned, which are not members of the manufacturers' association, to the effect that they pledge themselves to pay the new prices. Should the labor organizations be unable to procure such declarations, the new price schedule negotiated with the manufacturers' association will probably not go into effect.

In order to have a control and supervision whether or not the price schedules are being observed, every manufacturer is compelled to either keep books of account or bills of delivery (Lieferzetteln) with his workmen, which are to specifically set forth quality, size, and price of the respective goods. The labor organizations are constantly sending controlling officers around, who see the workmen at their places of work, compare the books of account or bills of delivery with the work in hand, and thus ascertain whether the prescribed wages are actually being paid.

Violations of the price schedules on the part of firms belonging to the manufacturers' associations—which almost without exception are members of the Union of Solingen Manufacturers' Associations—are punished by compelling such firms to make subsequent payments of the differences between the amounts actually paid and the correct amounts that should have been paid; this procedure is effected through the so-called Vergleichskammer (Chamber of Arbitration) which is composed of representatives of manufacturers and workmen and which examine and settle the claims preferred. Should a manufacturer refuse to submit to the decree of this chamber the bond—that is, money deposited in guarantee of the observance of the price schedules—is forfeited and the manufacturer may be excluded from the manufacturers' association, the decision of which he refused to obey; as a result of such action he would also lose his membership in the other manufacturers' associations which belong to the Union of Solingen Manufacturers' Associations. Every manufacturer who belongs to a manufacturers' association is compelled by the union statute to be also a member of all other manufacturers' associations that are affected by the kind of goods made by him. The exclusion from the union and from the various manufacturers' associations entails the loss of their protection and he is thus given up to the arbitrary action of the labor unions.

Unorganized manufacturers are compelled by the labor unions to make restitution of the amounts of wages paid too little and if they do not consent they are declared to be in strike. The labor unions are bound by an agreement with the manufacturers' associations to deprive nonunion manufacturers of their organized workmen if those manufacturers do not pay the wages stipulated in the price schedules. On the other hand members of the manufacturers' associations are prohibited upon motion of the labor unions to employ those workmen who are known to work below the stipulated prices.

A number of manufacturers who are not members of the association employ unorganized workmen and consequently do not consider themselves bound to pay the stipulated schedule prices. It is beyond the authority of either union to proceed successfully against such manufacturers or workmen. These manufacturers agree with their workmen upon lower rates of wages; or they establish so-called *Teilarbeit* [A system of dividing the work, for which a schedule price is arranged, into a number of operations for every one of which they employ a separate man so as to make the work more mechanical with a view to eliminating the skilled workmen. It is permitted to deduce stated units prices for such divided work from the schedule price covering the entire labor performance.—The translator,] or they pay their workmen partly by the day. A number of these concerns specialize in a limited number of scissors and knives of certain qualities. On account of the constant similarity of the work and the comparatively low wages, these firms (so-called *Baerenställe*—"bear stables") are in a position to produce and market their goods considerably cheaper than the other manufacturers. The latter are frequently compelled to purchase their demand in these goods of the "bear stables" and unorganized manufacturers so as not to lose trade and be out of the market. Whenever the "bear stables" supply certain kinds of cutlery in preponderant quantity, either the pertinent wage schedules are reduced or the articles in question are released, that is eliminated from the price schedules; this in order to enable the organized manufacturers and workmen to meet this competition and to continue to make these goods.

In such an event every manufacturer is, of course, at liberty to agree with his workmen upon such wages as will meet the conditions.

It is to be stated that frequently organized manufacturers and workmen will evade and circumvent the price schedules. This is done by a mutual and secret understanding between both parties and unknown to the manufacturers' associations and labor unions, which otherwise are obliged to stop such practices. Manufacturers practicing these evasions are of course also in a position to sell their goods at lower prices.

In the cottage industry, an average of from 5 to 10 or more per cent is to be added to the stipulated schedule prices in order to arrive at the self-cost price, i. e., the price without any profit. This percentage, however, fluctuates according to the kind and quality of the goods. In establishments which scarcely inspect, supervise, or control the condition and quality of the goods during the various operations of the manufacturing processes, the percentage is low, while it is higher than 10 per cent with establishments which make quality goods and subject same to scrutinizing examinations.

Several firms have made special arrangements in their factories deviating from those in other plants. For instance, they have scissors tempered in their factories, or knives assembled in "*Teilarbeit*" (see the above explanation of this technical expression by the translator), such as boring bolsters, milling scales, etc., for which they paid either by piece or by day such wages as are agreed upon with the workmen. This arrangement is permitted by the organizations and is chiefly applied for the production of cheap bulk articles (knives) in large quantities for export. A few per cent are saved in this way and these manufacturers are thus enabled to sell at slightly lower prices. [See the "Reiders" (assemblers) price schedule of Nov. 13, 1911.]

Another group of manufacturers make their goods entirely in "Teilarbeit" in their factories. Some articles, but particularly solid steel table knives and forks, are being produced in this manner in "Lohnschleifereien" or "Accordschleifereien." For these establishments a special-price schedule for "Teilarbeit" has been made covering the various labor operations. The manufacturer places at the disposal of his workmen the working places and supplies the working material and tools without making a charge therefor, unlike the practice of manufacturers who employ cottage workmen. By this working method solid steel table knives and forks can be produced so much more profitable that manufacturers, working under the pertinent wage schedule of the cottage industry, are hardly able to further compete. Some Solingen cutlery is being produced in machinery plants, i. e., they are made chiefly with the use of machines. This method of manufacturing is largely applied to the production of razors, but scissors and table knives are sometimes made in this manner. The principle kinds and qualities of articles to be produced by this method of manufacturing are likewise determined in price schedules as are the wage scales which are to govern their production, with separate schedule for each firm, although, however, these schedules do not vary much in any essential feature.

The razor-grinding plants (machine grinding plants), which practically without exception have fixed schedules, will most likely soon form an association and there will then be established a common uniform wage tariff binding for them all. The manufacturers with such plants supply, of course, power, machine, etc., tools, light, etc. It is customary for such establishments to make an addition of at least 25 per cent for general manufacturing expenses when calculating self cost; this percentage, however, will not be deemed sufficient by rational manufacturers, and an addition of 33½ per cent to above will approximate the normal custom in this respect.

Should one or the other kinds of articles be not included in the "Teilarbeit" schedule, it is customary for the manufacturer, who intends to make these goods, to take the price schedule of the cottage industry as a basis and deduct 25 per cent from its figures in order to arrive at the proper wages to be paid to his workmen. This reduction, however, has no bearing upon the cost price, because the increased manufacturing expenses incidental to this method of manufacturing will again offset the lower wages.

The following excerpt from the yearly report of the Solingen Chamber of Commerce for the year 1907 is here quoted by way of illustrating the vast importance to the manufacturer of the wage question in comparison with the cost of the raw material used:

"CUTLERY INDUSTRY—TABLE KNIVES AND FORKS, POCKET KNIVES, SCISSORS, RAZORS.

"The extremely favorable market condition which prevailed during the entire year 1906 continued during the past year until fall. The demand was exceedingly active in all branches of the Solingen cutlery industry; the orders which sometimes were placed even beyond the actual wants could not always be filled in time, especially as a shortage of workmen was often keenly noticeable. A change set in during the last four months of the year, when a crisis took place in the American market and the entire condition of the market changed for the worse. Orders came in more scanty and many old orders were canceled. Nevertheless the manufacturers in general were engaged satisfactorily, as many orders from the previous months had to be executed, and besides the Christmas business, with its increased demand, made itself felt.

"Of the greatest importance for the cutlery industry was the extraordinary increase in the cost of production during the past year, caused chiefly by a considerable increase in wages. Though it be a fact that the raw materials had to be purchased at higher prices during the first half of the year—the increase in ivory deserves particular mentioning—this feature is by far not of as great an importance as are the wage increases which were allowed the workmen. Since the value of the metal, the steel, iron, brass, etc., is of no great moment as an element of value in its bearing upon the value of the finished article with all the products of the Solingen cutlery industry.

"The movement for higher wages, which was commenced by the labor unions at the end of the year 1906 and continued during the past year, embraced most classes of workmen and resulted in increases of 10 to 20 per cent on the prices agreed upon between the manufacturers' associations and labor organizations. This situation made it very hard and often impossible for the manufacturers to make a satisfactory profit. They did not consider the fact already mentioned that the value of these goods depends principally upon the amount of wages and is but little influenced by an advance or decrease of the price of metals. To what degree this is the case may be seen from the following comprehensive table showing the proportion of the value of the raw materials in relation to the extent of the wages paid for the production of some kinds of pocket knives, scissors, and razors:

POCKETKNIVES.

Scale.	Cost of production per dozen marks.	Value of metal.		Value of scales.		Wages, including manufacturing expenses.	
		Marks.	Per cent of total value.	Marks.	Per cent of total value.	Marks.	Per cent of total value.
Ebony.....	3.30	0.49	15	0.22	7	2.59	78
Horn.....	8.90	1.11	12	1.20	14	6.59	74
Do.....	13.35	1.15	9	1.40	10	10.77	81
Steel.....	26.00	.88	3			25.12	97
Ivory.....	39.10	2.30	6	5.00	13	31.80	81
Do.....	15.76	.90	6	6.50	41	8.36	53
Pearl.....	15.14	1.20	8	3.40	22	10.54	70
Ivory.....	15.05	1.00	6	6.00	33	11.05	61
Pearl.....	19.17	1.88	10	5.00	26	12.29	64

SCISSORS.

Description.	Cost of production per dozen marks.	Value of material.		Wages, including manufacturing expenses.	
		Marks.	Per cent of total value.	Marks.	Per cent of total value.
Ladies' scissors, cheap quality.....	4.15	0.55	13	3.60	87
Do.....	4.55	.60	13	3.95	87
Do.....	5.20	.70	18	4.50	87
Do.....	5.90	.80	14	5.15	86
Mail scissors, fine quality.....	8.90	1.30	15	7.60	85
Pocket scissors, fine quality.....	9.80	1.40	14	8.40	86
Ladies' scissors, fine quality.....	10.90	1.70	16	9.20	84
Do.....	12.00	2.00	17	10.00	83

RAZORS.

With hard rubber handle.....	7.60	1.85	25	5.75	75
Do.....	16.20	2.00	12	14.20	88

"This table clearly shows that slight reductions in the prices of raw material have scarcely any bearing upon the cost of production and consequently upon the selling prices of cutlery. Purchasers of Solingen cutlery will have to figure that the increased selling prices will largely be maintained in future, owing to the heavy wage raises which are fixed in the shape of contracts between the manufacturers' associations and the labor organizations.

"The export of Solingen cutlery probably approximates the figures of the previous years, although there are various features which rendered the export business considerably more difficult. There was first of all the beginning of the American crisis in the last four months of the year, which naturally influenced very unfavorably the export business to the United States, the most important foreign market which the Solingen industry possesses.

"Again, one must not overlook that the advance in settling prices in consequence of the advance in wages makes more difficult competition with foreign industries, especially with the Sheffield industry, where corresponding increases in labor wages are not recorded * * *"

DR. E. HORNUNG,
*Syndikus, Union of Solingen Manufacturers'
Associations and Union of Employees.*

MR. DIEHL. That is the statement which the doctor has made, and he desires, continuing with this, to submit complete sets of the price schedules which govern in the industry.

Senator LODGE. Wage schedules?

MR. DIEHL. Yes. They are not alone that, but price schedules. For instance, in the industry you buy black blades at a set price from the plants and firms which make a specialty of manufacturing same.

The price per schedule includes the cost of the raw material and the wages for elaboration of the blade. So they not alone are wage schedules, but also price schedules.

Senator LODGE. Those books show the price schedules. Do they also show wage schedules?

Mr. DIEHL. They show the wages and price schedules of all those labor performances which are to-day governed by tariff in that industry.

The CHAIRMAN. What industry do they cover, the cutlery industry?

Mr. DIEHL. All cutlery; Solingen cutlery.

Senator LODGE. By "Teilarbeit," you mean piece work?

Mr. DIEHL. I defined it when I read it. Teilarbeit is a division of the work.

Senator LODGE. I did not know whether it meant piecework or the work on special parts.

Mr. DIEHL. Literally translated it means work in piece. If a manufacturer who has a schedule works in part in Teilarbeit, he is permitted to subtract from the wage prices fixed in the schedule for the complete piece of work various amounts of money for the different portions of work, namely, subordinate items of work which constitute a portion of the entire particular work for which a price is fixed. The schedules stipulate the extent of such deductions.

The CHAIRMAN. Can you leave these with the committee?

Mr. DIEHL. Yes; he brings them for that purpose.

Senator LODGE. You say these tables contain the wages?

Mr. DIEHL. They contain the wages; yes. The only other tariffs which the doctor has here are for razor manufacturing plants. Unfortunately the doctor says they are not in duplicate, and he therefore has not a set to present.

Senator LODGE. Can Dr. Hornung tell us generally what the average wage is in Solingen?

Mr. DIEHL (translating answer). It is different for the classes of labor. But, in a general way, one can figure on a weekly wage of 42 marks; that is, about 7 marks per day.

The CHAIRMAN. For skilled labor?

Mr. DIEHL (translating answer). For skilled labor.

Senator LODGE. Seven marks a day?

Mr. DIEHL. Yes.

The CHAIRMAN. How much is that in American money?

Mr. DIEHL. Seven marks a day is \$1.70, I should say, roughly perhaps \$1.67.

The CHAIRMAN. Do you know, of your own knowledge, how that would compare with a similar grade of labor in a similar industry in the United States?

Mr. DIEHL (after conferring with Dr. Hornung). He is not informed about that.

Senator LODGE. How many hours a day do they work?

Mr. DIEHL (translating answer). From 8 to 9 hours; even 10 hours a day.

Senator SMOOT. That is in the manufactories. How long do they work in the home? There is no restriction there, is there?

Mr. DIEHL (translating answer). This governs the house industry. Organized laborers do not work above 9 to 10 hours. Generally, while they receive a weekly wage of 42 marks, they work practically only four days in the week. If they would work six days, they could earn more money.

Senator LODGE. You are a Treasury agent, are you not?

Mr. DIEHL. No, Senator; I am special commissioner of the Philippine Custom Service, stationed in Europe.

Senator LODGE. I mean you have been doing work for the Treasury there?

Mr. DIEHL. Yes, sir; I have under an arrangement with the Bureau of Insular Affairs, been engaged in an investigation for the United States Treasury in the Solingen industry during the period of some four months which has just terminated.

Senator LODGE. You know nothing more about the wages there, I suppose, than Dr. Hornung has stated?

Mr. DIEHL. What the doctor has stated is, in a large measure, correct. Practically 50 per cent of the workmen there in the industry celebrate what they call there a "Blue Monday"; they do not work on Mondays. But their weekly income ranges from 40 to even sometimes 50 and 60 marks per week. For instance, razor assemblers and finishers get in factories a daily wage of 5 marks and 40 pfennigs.

Senator LODGE. That is the factory wage in razor factories?

Mr. DIEHL. In razor factories. Calculated at that the particular tariffs are adjusted, and it is the understanding that the factory which pays such a wage furnishes power, the working place, and all materials and things to execute the work, and for that element it is necessary to add 33½ per cent as overhead expenses, which the manufacturer has to bear. If you add, then, a third to 5 marks and 40 pfennigs, you get about 7 marks and 20 pfennigs. That is the figure given by Dr. Hornung.

Senator LODGE. I want the labor cost, not the overhead charges, so much.

Mr. DIEHL. His figure, 7 marks, is in the house industry, where a man has to furnish everything himself. If he is employed in a factory, where the tools and the power and the light are furnished, he naturally gets less.

Senator LODGE. He gets 5 marks?

Mr. DIEHL. Five marks, 40 pfennigs. In one of these schedules, governing the assembling and finishing of razors in factories, you will find stated that after the twenty-first year, and after the boy has finished his apprenticeship, he is to receive 3 marks and 50 pfennigs per day, with two yearly increases, so that when he is 26 years of age he receives the standard wages of 5 marks and 40 pfennigs.

Senator LODGE. Those are the standard wages in the factory?

Mr. DIEHL. Yes, sir; for that class of work.

Senator LODGE. Are the razors mostly made in factories?

Mr. DIEHL. To-day they are as concerns the cheaper class of razors.

The CHAIRMAN. To what extent does that home or cottage industry exist, Mr. Diehl? Its existence has been frequently asserted and as often denied in controversies over rates, and the doctor has stated its existence. What proportion of the industry is done in this home way—in the home or cottage industry?

Mr. DIEHL. I should think to-day about half and half as concerns the place where the work is done. Fully one-half is being produced in working places at the home of the laborers. However, the "home workers" schedules apply also sometimes where the work is being performed in regular factory establishments. Therefore it may be said that about 75 per cent of the Solingen articles are manufactured

under cottage or home-workers' schedule. Some articles are preponderantly made in cottage industries; others are not. The cottage industry is doomed to die out, in my opinion. The introduction of labor-saving appliances in that industry is constantly being fought by the labor unions. For instance, this new American grinding machine which they are now trying to introduce. The labor unions say "All right, you can introduce it, but we demand the same wages to work with that machine as we do when working in the old way." That has principally stood in the way of betterments. There is, to my mind, no question that the values which have heretofore been taken into consideration for statistical purposes in tariff legislation are more or less fictitious. I deem this to be the case if they are based upon these customs values, which are a matter of statistical record here and have been heretofore. Many importers over here have generally undervalued, considerably undervalued, and the cutlery paragraphs of our present customs tariff are so adjusted that if one man begins undervaluation, the other people either have to do the same thing or stop importing those particular articles.

Senator SMOOT. Do you know whether there are very many shipments undervalued?

Mr. DIEHL. A great many of the cutlery articles imported have been undervalued in the past, but these differences are now rapidly being adjusted.

Senator SMOOT. In 1909 I had a number of affidavits from manufacturers of razors, and also cutlery and scissors, stating that they had received letters from German manufacturers in which they suggested the undervaluation of the importations into this country and told the manufacturers how to do it.

Mr. DIEHL. Quite right.

Senator SMOOT. And while the manufacturers did not buy any of the goods they were supposed to have purchased at some time in the future, the whole scheme was given to them. Have you ever heard of that in Germany?

Mr. DIEHL. Quite right. I have come across similar instances where that has been done. I will mention one instance in connection with razor importations. We have a duty limit of \$3 per dozen, corresponding to an import valuation of not more than 12 marks 40 pfennigs per dozen. These razors were invoiced in the customs invoices at 12 marks 40 per dozen, and the value was questioned. The original invoice of the manufacturer was produced and showed that the value was 12 marks 40. During the investigation it developed that a further invoice existed, showing an overprice of some 3 marks per dozen. In order to hide that transaction, the second invoice was not made in the name of the firm that manufactured the razors, but in the name of the head of the firm. So, if an examining official goes to the importing firm or the buying firm to examine the books, he will have much difficulty in finding the transaction correctly recorded. In examining the books the examiner will find two entries: One in the name of the manufacturing firm, showing the price to be marks 12.40; the other in the name of the head of the manufacturing firm covering the overprice—that is, the difference between actual price and that given in invoices for customs purposes. Say the head of the manufacturing firm is called "N. N."; unless the examiner knows who that man is he might never have a suspicion when he comes across entries standing in "N. N.'s" name.

Senator SMOOT. It is manipulation of accounts, then, on the part of German manufacturers that allows those undervaluations to come?

Mr. DIEHL. Not as a general thing, although they know of it. I must say that generally the German manufacturers themselves have not practiced those undervaluations. The customhouse invoices or the consular invoices were mostly signed by the buying representatives of the importing firms over here. Naturally these buying representatives are German firms, and most of them are also manufacturers.

Senator SMOOT. Then I may say this, that the undervaluations are generally manipulated by our importers located in New York or their agents in Germany?

Mr. DIEHL. Quite right; yes. The Solingen people are very familiar with our tariff. They know same just as well as we do on this side, and they feel that when a man buys a pocketknife which costs 5 marks and 80 pfennigs he can not sell it in this market unless he brings it at a value of 5 marks and 40 pfennigs, or a dollar and a quarter. It is an open secret.

The assertion has been made that not alone the manufacturers but laborers likewise squeeze the price and work under the price schedules as concerns the production of the goods for the American market. My investigations do not bear that out. There are some instances where this is done, but generally the full wages are being paid for the production of goods for the American market in the same manner as they are paid for the production of goods for the German market. There is always a tendency, however, owing to this duty limit, on behalf of the manufacturer, to meet existing conditions with reduced quality, and to try in every way possible to produce a knife or other article which fits the tariff. He may even forego part of his normal profit in arranging a selling price for the American market. I must conclude that they do that from calculations presented to me by manufacturers which were to explain that they were able to sell, and did sell, at certain prices in order to show that their customer did not undervalue.

Senator McCUMBER. He sells at a little less in this country than at home?

Mr. DIEHL. The same articles are not sold for the home market. The American market requires a special line of goods. The quality is much cheaper that comes over here, owing to the existing tariff, than it is for home consumption; of course similar qualities, as in cheap knives, are going to India. But the types are somewhat different. Distinct types of different quality have been evolved, as a result of our present tariff. I have looked over many sample collections of these manufacturers for prior years and I have noticed that a radical change took place in the types and qualities when this present tariff went into effect—that is, the tariff of August 5, 1909.

Senator LODGE. Dr. Hornung said in his statement that the American market was the best market for the Solingen district, or very important.

Mr. DIEHL (consulting Dr. Hornung). The most important foreign market.

Senator LODGE. Did you find that to be the case?

Mr. DIEHL. That is the case, Senator.

The CHAIRMAN. I would like to ask you what proportion of the labor of the German industry is composed of women and children?

Mr. DIEHL. Speaking of the cutlery industry, hardly any in factories. In the cottage industry sometimes everybody puts his shoulder to the wheel. The women usually carry the goods about, and thus assist their husbands and brothers. But you could not say that women to a large extent actually perform mechanical labor, other than acting as messengers and carriers to bring to the market these half finished or three-quarter finished or fully finished articles.

Senator McCUMBER. Not knowing the method of the manufacture, I have not a very clear idea of what this cottage industry consists of; how a man or a woman can manufacture table knives in their own home, if that is what we mean by it. I wish you would explain that.

Mr. DIEHL. The cottage industry consists principally in this, that working men, performing the different stages of manufacturing incidental to the production of cutlery, work in their own homes. The man who is called a "manufacturer" may not have a single tool in his house, and still, under the definition prevalent in the district, is called a manufacturer. He purchases of one establishment the black blades, he gives them to a man who grinds the blades and passes the knife along until it eventually reaches the hands of the assembler, and finally the finishers, who turn it over to the manufacturer as a completed article.

The CHAIRMAN. Many of the manufacturers, in other words, simply assemble the different materials, do they not?

Mr. DIEHL. No; the manufacturer himself who works with cottage industry exclusively does not do any manufacturing proper other than supervising the transfer of the goods during the different stages of manufacture from one cottage industrial to another.

Senator SMOOT. And after they are finished, handles them?

Mr. DIEHL. After they are finished they come to him, and they are finally inspected and marketed by him.

Senator McCUMBER. Are the blades of which you speak ground by hand?

Mr. DIEHL. Mostly. They have hardly any machine grinding except for the production of razors; and then there is a great amount of skill necessary to even work with those machines.

Senator McCUMBER. Are the handles, etc., made in the cottages?

Mr. DIEHL. The handles are finished likewise in the industry, yes. Take, for instance, a razor handle of black rubber; it comes six in a sheet, molded in shape. It is broken apart and finished up in the industry there. That industry is absolutely self-contained, and the great value lies in its finely trained stock of laborers, who are available for every stage of the manufacture. Abutting on that district, which produces principally cutlery—forks and table knives—there is the Remscheid district, which manufactures tools.

Senator SIMMONS. I am afraid I did not understand you exactly with reference to the amount of daily and weekly wage. Did I understand you to say that the standard wage was 42 marks a week?

Mr. DIEHL. That is, the average wage, Senator, is 42 marks a week for an expert grinder. He earns that much, the doctor maintains, if he works only four days a week, if he is quite expert. But calculated, then, over the week, at the rate of six working days a week, it amounts to 7 marks. That is how he got his figure.

Senator SIMMONS. The doctor claims, as I understand, that that represents a week of four days.?

Mr. DIEHL. If you will permit me, I will ask him the question [translating answer]. He states he means a week of four days. 42 marks is estimated by him as the average income of a skilled cutlery workman when working four days.

Senator SIMMONS. Forty-two marks for a week of four days?

Mr. DIEHL. Forty-two marks.

Senator SIMMONS. That is the standard wage in the cutlery manufacturing industry of Germany, is it?

Mr. DIEHL (translating answer). He says no; this is not general as governing every class of work; it is an average for the cutlery industry.

Senator SMOOT. Four days a week, and how many hours per day?

Mr. DIEHL (translating answer). Say an average of 9 hours to 10 hours.

The CHAIRMAN. Do you say the labor organizations will not permit any one man to do work more than four days a week? Do I understand that?

Mr. DIEHL (translating answer). He says no, no; that is not a restriction by any union. They close very early on Saturday, and are paid off; and in some instances they are even paid off Friday evening, and then they stop working, and most of them do not work again on Monday.

Senator SMOOT. Why? For what reason?

Mr. DIEHL (translating answer). He says they enjoy life in other manners.

Mr. DIEHL. Monday is usually designated as a "blue Monday."

The CHAIRMAN. Monday is a day of rest?

Mr. DIEHL (translating answer). He says they make it one of recreation, and that may not be a rest.

Senator SIMMONS. Did I understand you to say that the United States was the chief market for German cutlery?

Mr. DIEHL. That is in the doctor's statement, Senator, which I read, and it is an excerpt from the yearly report of the Chamber of Commerce of Solingen for the year 1907. I would like to ask the doctor about that. I think one could average the exportations from that district to the United States at, say, not in excess of \$2,000,000.

Senator SIMMONS. Do you still adhere to the statement that America is the chief foreign market for German cutlery?

Mr. DIEHL. If you will permit, I will ask that question of the doctor. [Translating answer.] He says yes; for export business it is the principal market.

Senator SIMMONS. Is it the principal market for razors?

Mr. DIEHL (translating answer). He says he would not care to be positive, because a large quantity of razors are exported to Russia.

Senator SIMMONS. I asked that because I was under the impression that there were very few razors of any kind imported into this country.

Senator SMOOT. Oh, no; a very large number are imported.

Mr. DIEHL. Oh, no; they are imported. I know of one kind alone about which I have just now advice, that shipment of approximately 20,000 dozen is being prepared. Same are razors of Swedish steel, which are invoiced at marks 4.20 per dozen, and the value of which is now in dispute and in the course of settlement before the Board of General Appraisers. The doctor was brought over here

principally to give enlightenment on the cost of razor production, with specific reference to this quality and kind of razor, as it is doubted that same can be manufactured and sold at marks 4.20 per dozen. The wage schedules do not permit this.

Senator SIMMONS. My memory may be at fault, but my recollection was that when we had the Payne bill up it appeared from the table we had that there was scarcely any importation of razors.

Senator SMOOT. We got an increase on the rates in the Payne schedule; and the evidence showed at that time that unless there had been an increase, what few factories were left in this country would have gone out of business.

Mr. DIEHL. As a matter of fact, Senator, the cost of production of razors has cheapened since.

Senator SIMMONS. I am simply giving my recollection. I may have had my mind on some other item.

Mr. DIEHL. A Bessemer steel razor, which is now being shipped to this country at \$1 a dozen formerly cost over a dollar and a quarter, perhaps \$1.30; and the cost of production has been brought down to \$1 within the last two years and a half; that is, since the enactment of the present tariff measure.

Senator SIMMONS. Then, I am mistaken about that. Do you happen to know what the German tariff rate is on cutlery?

Mr. DIEHL. I do not, Senator.

Senator SIMMONS. Is it a highly protective rate?

Mr. DIEHL. Perhaps the Doctor can give that information, as a whole lot of scissors are imported from France to Solingen, and then reshipped to this country. [Translating answer.] He thinks Germany has a tariff based on specific rates. He is not quite sure.

Senator SIMMONS. Can the Doctor tell us whether there is any American cutlery imported into Germany?

Mr. DIEHL (translating answer). He says as far as he knows some cutlery is being imported, but he can not state what kind, as, so far as Solingen is concerned, it naturally would not come to Solingen.

Senator SIMMONS. What I would like to get at is this: Who is the German manufacturer's competitor in cutlery in the German market?

Mr. DIEHL (translating answer). He says Sheffield and Nixdorf, Bohemia. A lot of multibladed pocketknives are being brought in from Bohemia, as, owing to the high wages which are being paid in the Solingen industry in comparison with the Bohemian industry, Germany is a favorable market for these Bohemian pocketknives. For instance, in Solingen, he says, the wages for assembling progressively increase with the number of blades, so that a multibladed knife can be made cheaper elsewhere.

Senator SIMMONS. Is that duty put on by Germany because of the difference in labor cost in England and in Germany?

Mr. DIEHL (translating answer). He says he does not think so.

The CHAIRMAN. Are there any further questions of Mr. Diehl or Dr. Hornung? If not, the committee will stand adjourned until to-morrow morning at 10 o'clock.

The committee thereupon, at 5 o'clock p. m., adjourned until to-morrow, Thursday, February 22, 1912, at 10 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 12

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED**

AUGUST 5, 1909

FIRST PRINT

THURSDAY, FEBRUARY 22, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

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PORTER J. McCUMBER, North Dakota.

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THURSDAY, FEBRUARY 22, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10 a. m.

Present: Senators Penrose (chairman), Lodge, Smoot, Heyburn, Simmons, Williams, and Johnson.

**STATEMENT OF MR. JAMES A. CAMPBELL, REPRESENTING
THE YOUNGSTOWN SHEET & TUBE CO., OF YOUNGSTOWN,
OHIO.**

The CHAIRMAN. You are Mr. James A. Campbell?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. And you represent the Youngstown Sheet & Tube Co.?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. Proceed, Mr. Campbell, and present your views to the committee.

Mr. CAMPBELL. Mr. Chairman and members of the committee, my subject is wrought-iron pipe; but before I speak of that I want to devote just a minute to clearing up some things that Mr. Butler said yesterday with reference to ferromanganese. Ferromanganese has been coming in under the same duty as pig iron. The independent manufacturers of steel are all users of ferromanganese, but not to any large extent. Our company uses from 4,000 to 5,000 tons a year, and a number of other companies use from 4,000 to 10,000 tons a year. There is not one of the independent companies that is large enough to operate a furnace or to build a furnace for the purpose of making ferromanganese. If this bill becomes a law and the duty is raised to about three times what it is now (it will be about \$6, at 15 per cent ad valorem, instead of \$2.50), and ore comes in free as provided by the bill, we will be obliged to get together and smelt foreign ores in some way or build a furnace on purpose for it. If the object is to force the manufacture of ferromanganese here, you will accomplish that purpose. If the object is to raise revenue, you would raise much more revenue by leaving ferromanganese in with pig iron and obtaining the same duty. I do not know what the object of the bill is in making the ore free and in raising the duty to about three times as much as it has been on the finished product.

Senator SMOOT. They just made a misguess, that is all.

Mr. CAMPBELL. I wanted to explain what will happen under the bill, and you will know what you want to do with it.

I am here representing a number of the independent pipe manufacturing companies, some of whom make pipe from their own ore and coal to the finished product, and some of whom buy their skelp and plates and make it into pipe. House bill No. 18642, we understand, proposes to reduce the duty of \$20 per ton in the Payne bill to 20 per cent ad valorem, or what would be equal to \$6 to \$8 per ton in the Underwood or present bill.

We wish to respectfully protest against this bill, for the following reasons:

First. The cost of assembling our raw materials here is much greater than abroad, due to the long distances we transport our ore and coal, and consequently our cost of production is much greater.

Second. Pipe is a highly finished product, passing through a number of different operations (namely, mining the ore and coal, smelting into pig metal, converting into steel, rolling into skelp or plates and making into pipe, threading the pipe, and making and threading the couplings), and for this reason carries a high labor cost, or, as nearly as we can estimate, including transportation labor, about \$20 per ton. This cost is about twice that of the foreign maker, and places us and our employees at a great disadvantage.

Third. Our cost of transportation of the finished product from the Pittsburgh district, which is the center of production of this commodity, is greater than from abroad. It is greater to Boston, New York, and Baltimore by \$1 per ton, to Gulf ports by \$3.50 per ton, and to Pacific coast and Texas points by about \$8 per ton, so that our delivered price must necessarily be much higher than that of our competitors abroad if there were no duty imposed by this country.

Fourth. We are opposed to ad valorem duties and in favor of "specific," for the reason that goods are many times underbilled in order to reduce the duty; and, further, for the reason that when values are normal here they may be low abroad; and this method of assessing duties would be very harmful to us.

Fifth. If this bill should become a law and we should lose a large part of our business at seaboard points, as we surely would, our operations would necessarily be curtailed and our costs would correspondingly increase, as it is a well-known fact among manufacturers that only when operating to capacity can we produce at the lowest cost.

Sixth. Many of the foreign makers are as well equipped with modern plants and machinery as we are, for within five years several plants have been designed and erected abroad by American engineers with American machinery.

Seventh. The pipe manufacturers, as well as all steel companies, are operating at a less profit at present than can be continued for any great length of time, and if this bill should be passed by your honorable body and the President approves the same many of these companies must go out of business or be forced into the hands of a receiver.

If it is true that our cost of assembling raw materials and delivering our finished product is greater, as we have stated, and that our labor is about double that abroad, it should be clear to everyone that we must have some protection to enable us to compete with our foreign neighbor. This country was developed under a protective policy, and while we need less now than during our infancy our employees are not yet ready to live as the foreign laborer lives.

Senator HEYBURN. Why do you draw that distinction between the necessity for protection at the beginning and now? Is not the principle the same—the question of employing our own labor and paying the money in our own country?

Mr. CAMPBELL. The question is the same, but you have to offer some inducement to the manufacturers to build plants. The more protection you gave them in the beginning the more inducement there was for them to build plants. You probably remember—

Senator HEYBURN. That is the old idea of "infant industry."

Mr. CAMPBELL. Yes. You probably remember the tin-plate industry and how it was started. For many years there was a low duty on tin plate.

Senator HEYBURN. They were all started that way. When we were prohibited from manufacturing in this country of course we could not do it, but just as soon as we were permitted to do it we started on the enterprise and we levied the duty for the double purpose of revenue and protection. The principle is the same to-day as it was then, is it not?

Mr. CAMPBELL. Take tin plate, for instance, as a very prominent example. It was all revenue originally, before we started plants in this country, because the duty was low.

Senator HEYBURN. Not any more so than horseshoe nails.

Mr. CAMPBELL. It was a revenue duty. There were a number of things that it applied to equally, but that is one of the later things. For a number of years we manufactured iron and steel products and did not manufacture tin plate.

Senator HEYBURN. The reason I mention it is because I think that those of us who are in favor of a protective tariff that will protect rather weaken our case when we bring in that old hackneyed proposition of an infant industry. We are not infants. We are giants.

Mr. CAMPBELL. I have made the statement here that we do not need the tariff. I am in favor of a protective tariff, but only so much as will protect capital and labor in this country, and no more.

Senator HEYBURN. I am in favor of so much as will leave the labor and wages all in this country.

Mr. CAMPBELL. I am too. I think it ought to be high enough to prohibit the importation of any particular product. We ought to make it all at home.

Senator HEYBURN. We ought to make it all at home if we can.

Mr. CAMPBELL. We ought to make it all at home if we can, but we should not have the duty so high that the manufacturers of this country can combine and make an outrageous profit for themselves. The duty should be low enough to regulate that.

Senator HEYBURN. The duty does not enable them to combine. The law prevents them from combining. We do not need to bring that into the tariff question. I only interrupted here, Mr. Campbell, because it seemed to me to be an opportune time and place to get rid of this theory of the infant industry.

Mr. CAMPBELL. I do not think there is any in the iron and steel business in this country, and there has not been for the last 10 years.

Senator HEYBURN. Then we want protection because we need the revenue, and for the prime reason that we want our own markets for our own labor and its products.

Mr. CAMPBELL. And for our own capital too.

Senator HEYBURN. That follows. The capital would not be worth any more than so much sawdust without the other two elements.

Mr. CAMPBELL. No; that is true. I agree with you entirely. I do not want a pound of steel brought into this country, but I do not want the duty so high that in times of stress here the people would be obliged to pay an outrageous price for the product.

Senator HEYBURN. Sometimes we allow ourselves to be led into the admission of our enemies in regard to capital. They will make a statement that they believe so-and-so, and we take it for granted that their

statement is correct when it is not; and that is the case right now in regard to this question of capital. The capital is protected through the medium of making a market for the products, and that is a question of wages and material.

Senator SMOOT. You would like the rate high enough so that this country could not be the dumping ground of the balance of the manufacturers of the world?

Mr. CAMPBELL. Absolutely. You can not make a rate that will suit the conditions to-day and have it suit the conditions perhaps in two or three years from now; because to-day the conditions abroad are such that they are getting fairly good prices for their product, and their people are all well employed at better wages than under ordinary conditions. Besides, their freight rates are higher on their boats, because they are doing more business from those exporting countries.

Senator HEYBURN. We do not want to have to find out every morning what the cost of production is in Germany.

Mr. CAMPBELL. No. We can not change our tariff over night, as they do in Canada. If we could it would not make so much difference, because if we found they were having bad conditions over there and had reduced the price \$5 a ton we could increase the tariff and shut them out; but we have got to make a tariff that will cover all conditions if we are going to have protection. We do not know what duty is necessary to protect capital invested and our employees, as we have not the exact cost of producing these products abroad, but we are quite sure that if this bill becomes a law it would mean a revolution in business in this country and that labor of all kinds would suffer equally with capital.

The Youngstown Sheet & Tube Co., which is the company I particularly represent, has invested \$25,000,000 in a new and modern plant, and gives employment to 7,500 men, and, owning its own raw materials and with the best equipment possible, it is in a better position to compete under all conditions than many of the smaller and older concerns. If we can not operate under this proposed bill, what is to become of the hundreds of smaller companies who are giving employment to hundreds of thousands of workmen all over this country? We manufacture sheets and also wire products. This bill proposes to radically reduce the duty on these products, or place them on the free list, and we protest against these reductions as well.

We are in favor of as small a duty as will protect capital and labor in this country, and did not object to the Payne bill, as radical as it was—

Senator HEYBURN. What do you mean by "protect," because that is a word that is juggled with a great deal, and I would like to get the understanding that the trade has of it.

Mr. CAMPBELL. I mean a duty that will give the capital invested the ruling or reasonable rate of interest in this country, which you know is higher than it is abroad.

Senator HEYBURN. That is a dangerous rule.

Mr. CAMPBELL. And that will give labor as high wages as we are paying at present, which is the highest that ever have been paid in this country.

Senator HEYBURN. When you put it on the basis of a reasonable profit you might just as well ask the Government to insure you a reasonable profit. It is a dangerous position for the trade to assume.

I merely suggest it to you, that you may say what you choose about it. The rule is that we should control our own market, and that the tariff shall be high enough to do that, if it has to be 7 feet higher than is actually necessary.

Mr. CAMPBELL. That is right; and it will have to be higher than is actually necessary under some conditions, because the conditions are changed so radically in different years.

Senator HEYBURN. If you will get rid of the use of that expression, "a reasonable profit," you will get rid of the Democratic element in the Republican Party.

Mr. CAMPBELL. Of course I do not know what a Democrat would call a reasonable profit, so that I am at sea on the proposition.

Senator SMOOT. Nothing, if it happened to refer to a manufacturer.

Mr. CAMPBELL. We are in favor of as small a duty as will protect capital and labor in this country; and we did not object to the Payne bill, radical as it was in revising the iron and steel schedule. But we believe no further reductions of this schedule should be made until the Tariff Board has had time to make a thorough investigation of the costs of producing these materials in this country and abroad, and Congress can have all the facts in order to frame a bill in accordance therewith. Then, and only then, will we be content to leave this matter to the judgment of Congress and the President to decide what is best for the country as a whole.

Senator HEYBURN. Are you in favor of having it settled by a tariff board?

Mr. CAMPBELL. No, sir; I am in favor of Congress settling it, because it is their business. But I think you should have all the facts from the Tariff Board as to the costs there and the costs here, and frame an intelligent bill rather than a theoretical bill.

Senator HEYBURN. Would you not give us the same facts that you would give the Tariff Board?

Mr. CAMPBELL. Absolutely; but we have only one side.

Senator HEYBURN. Let us have all sides come before the Committee on Finance.

Mr. CAMPBELL. I mean the cost abroad as well as the cost here.

Senator HEYBURN. Oh, we have no difficulty in getting the cost abroad. We have had testimony here as to the cost abroad in all these cases.

Mr. CAMPBELL. We are perfectly willing to give you all the facts.

Senator HEYBURN. What difference does it make whether the men who are to gather this information sit in this room or in some rented room in a block up town?

Mr. CAMPBELL. No difference, except that you gentlemen have not the time.

Senator HEYBURN. Oh, yes, we have. We have all the time that is necessary.

Mr. CAMPBELL. All right. If you will take that time, which the House has not done in framing this bill, and get all of the facts, we shall be perfectly content. I do not care whether it is a tariff board or some other equally intelligent board of men who will take the time to get the facts and then frame the bill in accordance therewith.

Senator HEYBURN. We will hear all the facts you or any other men have to give.

Mr. CAMPBELL. I have not brought a statement of all of our labor costs, because I did not have the others, and I did not think you would care for it. But we are perfectly willing to give you any facts you want that will help you or assist you in any way that we can, even to giving you the costs of all of our products.

At present labor is well employed in this country at the highest wages ever paid, while the capital employed is receiving scant remuneration. Any Congressman who votes to change this condition for the worse will be held accountable in the future when these two forces come to realize what such a vote means to them.

The country as a whole is prosperous, and the people are happy and contented. Why disturb this prosperity and happiness by passing this bill, which is based on theory instead of facts?

When your tariff board has had time to bring you the information, it will be time enough to determine what changes can be made that will be beneficial to the people as a whole, and any bill based on this information will be satisfactory.

To-day I have found some statistics on labor abroad, in a report published in 1909 by the Department of Commerce and Labor. On pages 22 and 23 you will find a statement of the wages paid in Germany, which substantiates the statements I have made that the wage of labor abroad is not over one-half of that paid in this country.

This report states that coal miners' wages in Germany are 97 cents per day to \$1.43, and overhead workers 93 cents per day, which you all know is less than half the amount paid in this country. It then goes on to say that rollers in the Dortmund district are paid \$3.05 per day, while we pay \$7 to \$13 per day. Pipe welders are paid \$2.50 per day, while we pay \$5 to \$7 per day. Common labor is paid \$1.08 per day, and we pay \$1.70 to \$2 per day. In the Aix la Chapelle district they pay pipe welders \$1.72 per day, and we pay \$5 to \$7 per day. They pay chargers \$1.06 per day, and we pay them \$2.50 to \$2.75 per day. They quote common labor as low as 48 cents per day, while our minimum is \$1.70 per day.

This report does not give the wages paid trades people, such as machinists, carpenters, bricklayers, and electricians, but my information is that the more skilled the labor the less they pay in proportion to the wages paid here.

This information with reference to labor, together with their low cost of assembling their raw materials, due to those materials being close to the manufacturing plants, shows that they can produce finished pipe at much less than can be done in this country; and with their low ocean freight, especially to Pacific coast points, in comparison with our freight of \$13, it proves that we need approximately the present duty to enable us to compete. If even the Pacific coast business should go abroad, it would be a serious blow to American capital invested in steel plants and railroads, as well as to the workmen engaged in operating both.

When the Payne bill was up for consideration I was before the Ways and Means Committee, and I recommended that the duty on pipe be cut in two. It was then \$40 a ton on rough pipe. That was entirely too high, and there was not any necessity for it.

Senator HEYBURN. What harm was it doing?

Mr. CAMPBELL. It was not doing any harm, but it was out of proportion with other things. There was not any pipe imported. It is not doing any harm, of course.

Senator HEYBURN. We did not need to import any, did we?

Mr. CAMPBELL. But the people of this country were in favor of a downward revision of the tariff.

Senator HEYBURN. What people were?

Mr. CAMPBELL. The farmer, especially.

Senator HEYBURN. That is, he thought he was.

Mr. CAMPBELL. He believed he was paying too much for his mowing machines and harrows and wagons, and so forth. But all the duty the farmer would pay does not amount to over \$10 a year. If everything were on the free list, it would not amount to a saving of over \$10 on the material he buys in a year. But he particularly wanted a reduction in the tariff on such articles as harrows, wagons, and farm implements. He believed he was being charged an outrageous price.

Senator HEYBURN. Was he?

Mr. CAMPBELL. No, sir.

Senator HEYBURN. Then, if you are convinced of the error of the premises, why do you adopt the conclusion? You say there was a demand that the tariff be reduced, and you yielded to it.

Mr. CAMPBELL. There was a demand; there was a demand from the press and from the people generally.

Senator HEYBURN. The press does not do anything except publish newspapers and include or exclude principles, according to its own fancy or interest.

Mr. CAMPBELL. And create public opinion.

Senator HEYBURN. It does not create public opinion with some of the public. I think it is rather a danger sign with a good bit of the public to-day, and performs the same duty that a board in the ice does where the ice is thin—"Avoid their advice."

Mr. CAMPBELL. That may be true; but as a matter of fact they are the greatest educators of public opinion.

Senator HEYBURN. Do you think so, now?

Mr. CAMPBELL. Yes, sir.

Senator HEYBURN. Do you mean educators for good or for bad?

Mr. CAMPBELL. Both.

Senator HEYBURN. Do you think the article in the first column of this morning's paper is for the good or for the bad of the country? It favors the initiative, referendum, and recall.

Mr. CAMPBELL. I think it was for the bad—very bad, too.

Senator HEYBURN. I think you would find the average would run that way.

Mr. CAMPBELL. I hope that will be the case. It would mean a very serious blow to the freedom of the country, I think, if it were adopted.

Senator HEYBURN. It is probable that we lose a great deal by conceding too much. We make concessions in order that we may go along more smoothly.

Senator JOHNSON. I hope the Senator from Idaho never does that.

Senator HEYBURN. I suppose I commit the average errors, but there are some that I do not commit.

Mr. CAMPBELL. I have here a brief that I filed with the Payne Committee, that gives costs, and gives some information that you may want. The conditions are somewhat different at present, because the costs are very much reduced. The labor, however, and other things

that enter into it, are practically the same. I shall be glad to file this with the clerk, if you care for the information.

The CHAIRMAN. The brief will be filed and printed as part of your remarks, Mr. Campbell, if you think the figures are up to date and pertinent to the subject.

Senator SMOOT. Are the figures changed to correspond with the reduction in cost?

Mr. CAMPBELL. No; they are not.

Senator SMOOT. Then you want to put it in based upon the statement you have just made in regard to certain changes, do you?

Mr. CAMPBELL. I can make the changes before I leave here, and file it with the clerk.

The CHAIRMAN. Probably it would be better for you to modify it and bring it down to date, and file it as a new statement.

Mr. CAMPBELL. I had not intended to go into the matter of costs; but having this old matter, I can make the change in half an hour. I will figure it out.

The CHAIRMAN. I wish you would do it at your leisure and send it to the clerk of the committee.

Mr. CAMPBELL. I shall be glad to do so.

Senator SMOOT. Make it as a statement up to date.

Mr. CAMPBELL. Is there anything further?

The CHAIRMAN. I think that is all.

The CHAIRMAN. The committee will now hear Mr. D. J. Driscoll, representing the Seamless Tube Co.

STATEMENT OF MR. D. J. DRISCOLL, OF READING, PA., REPRESENTING THE DELAWARE SEAMLESS TUBE CO., OF AUBURN, PA., AND OTHERS.

The CHAIRMAN. Can you give the committee a list of the firms and corporations you represent?

Mr. DRISCOLL. The Pittsburgh Steel Products Co.; the Pittsburgh Seamless Tube Co.; the Ohio Seamless Tube Co.; the Globe Seamless Tube Co., of Milwaukee, Wis.; and my own company, the Delaware Seamless Tube Co.

Senator SMOOT. Please make a brief statement as to what seamless tube is.

Senator HEYBURN. Also give us a reference to the particular paragraph of the bill.

Mr. DRISCOLL. I will describe it in a moment, Senator.

The CHAIRMAN. What paragraph of the bill are you referring to?

Mr. DRISCOLL. I have not got the paragraph right here.

Senator HEYBURN. Neither of the existing law nor of the proposed law?

Mr. DRISCOLL. No; I have just got the general facts.

Senator HEYBURN. We like to identify them, if possible.

Mr. DRISCOLL. Under the Dingley bill seamless steel tubing was protected by a duty of 35 per cent ad valorem. The Payne-Aldrich bill reduced it to 30 per cent ad valorem, and the present bill reduces the duty to 20 per cent ad valorem.

The manufacture of seamless steel tubing is comparatively a new industry in this country, and is practically in an undeveloped state. There are seven manufacturers of this class of tubing in the United

States, located from Auburn, Pa., to Milwaukee, Wis., with a total capacity of from one hundred to one hundred and twenty-five thousand tons, or about 5 per cent of the total tube production of the country.

The pioneer and leader in the manufacture of seamless steel tubing is Germany. She has developed and brought its manufacture to a high state of perfection, and the length of time she has been manufacturing has trained a great number of hands skilled in the art. This fact, together with her low labor cost (which is about one-third of what it is in this country), enables her to produce tubes at a cost so low that she competes with us even with the present duty of 30 per cent ad valorem.

Seamless steel tubing is a product that of necessity must eventually supersede lap-welded tubing for all high-pressure work. It has been adopted and is used exclusively in the boilers of the vessels of the United States Navy, and is being adopted by the navies of practically all nations. Being without seam or weld, and produced directly from a solid billet, there is not that danger of bursting under severe pressures that is always present in a welded tube.

In the past three years there has been a reduction of over 40 per cent in the selling price of this class of product in this country, so that at the present time there is practically no profit in the business. If it is to expand and grow, instead of a reduction in duty to 20 per cent ad valorem it should either have the present duty of 30 per cent retained or that of the Dingley bill of 35 per cent ad valorem substituted.

We feel confident that a full investigation and comparison of the labor situation in the seamless-tube mills in this country and in Europe, especially in Germany, will verify the fact of our great handicap, both as to quantity and cost of labor. We ask that at least the present duty of 30 per cent ad valorem be continued, and that seamless steel tubing be kept in a class separate and distinct from other tubing.

Senator HEYBURN. You think the classification is as important as anything else, do you?

Mr. DRISCOLL. Why, Senator, the seamless steel tube business is a business that has been retarded in this country rather than advanced.

Senator HEYBURN. By what?

Mr. DRISCOLL. For the simple reason that capital engaged in the lap-welded industry has not been keen to engage in this class of work, owing to the conditions that surround it in Germany. In other words, the Germans can beat us at this business at the present time.

Senator HEYBURN. Under the present tariff?

Mr. DRISCOLL. Yes, sir; they have been longer at the business than we have, and there is more skilled labor available.

Senator HEYBURN. How much capital is invested in the business in this country?

Mr. DRISCOLL. I am unable to say as to that, Senator.

Senator HEYBURN. How many men?

Mr. DRISCOLL. I am just able to talk for myself. I am really the tail end of this proposition; at least, I consider myself such.

Senator HEYBURN. You are not advised from those for whom you speak as to the item of labor, as to the number of men employed, that would be affected by the increasing or diminishing of the business?

Mr. DRISCOLL. There must be in the neighborhood of about six or eight thousand people altogether employed in this line of work.

Senator HEYBURN. And even now they can not compete with the German producer?

Mr. DRISCOLL. They can not.

Senator HEYBURN. Yet they are employed, I suppose, because there is a class of business done in this country where they have what they call "hurry orders," and things of that kind?

Mr. DRISCOLL. They are employed because, as I said, it is a high-class product, and eventually will, in my opinion, take the place of lap-welded tubing for all purposes requiring high pressure; and the present tendency is for high pressure all through in steam and hydraulic work, and matters of that sort.

Senator HEYBURN. You think the business will grow more profitable?

Mr. DRISCOLL. I do.

Senator HEYBURN. Even under existing circumstances?

Mr. DRISCOLL. I do.

The CHAIRMAN. You say this is a new industry in this country, Mr. Driscoll?

Mr. DRISCOLL. Senator, it is practically new; that is, in comparison with the lap-welded business.

The CHAIRMAN. When you say "new," what do you mean? How many years old is it?

Mr. DRISCOLL. I think I was the first one to produce a seamless steel tube from American stock in this country.

The CHAIRMAN. When was that?

Mr. DRISCOLL. That was in 1896 or 1897. But I am a small producer, with limited capital, and have always hoed my own row.

Senator HEYBURN. Where are your works?

Mr. DRISCOLL. At Auburn, Schuylkill County, Pa.

Senator SMOOT. Do you know what the difference is in the wages in this country and in Germany?

Mr. DRISCOLL. Senator, I think the comparison, roughly speaking, is as follows: In Germany it will cost them from about \$11 to \$15 a ton, generally speaking, to produce a ton of seamless steel tube. In this country it will run from \$30 to \$45 a ton.

Senator SMOOT. About what is the average cost per ton? I know it differs on account of the size.

Mr. DRISCOLL. The selling price?

Senator SMOOT. Yes; you can give that, but I should like to know about the average cost of seamless steel tubing.

Mr. DRISCOLL. The selling price of the tubing three years ago was, say, about \$100 a ton. To-day it is between \$60 and \$70; and you buck up against German competition. They will quote German prices to you.

STATEMENT OF MR. WALLACE H. ROWE, OF PITTSBURGH, PA., PRESIDENT OF THE PITTSBURGH STEEL CO.

The CHAIRMAN. Mr. Rowe, you represent the Pittsburgh Steel Co.?

Mr. ROWE. The Pittsburgh Steel Co., of which I am the president; yes, sir.

The CHAIRMAN. Proceed with your statement, Mr. Rowe.

Mr. ROWE. Our attention has been drawn to the new provisions of the Underwood tariff bill, so far as they affect the following steel products:

Wire rods and wire, wire nails and fence staples, barbed wire and fabricated wire fencing, baling wire and bale ties, hoops, bands, and cotton ties.

The following are the average wages per day of the workmen of the Pittsburgh Steel Co. for the years 1906, 1907, and 1908:

	Rod mill.	Wire mill.	Galvanizing mill.	Field fence mill.	Nail mill.	Barbed wire fence mill.	Hoop, band, and cotton tie mill.
Pieceworkers.....	\$8.87	\$4.24	\$3.33	\$3.60	\$2.85	\$3.75	\$3.21
Day labor.....	1.65	1.93	2.03	1.92	1.79	1.92	2.07

Contrast the rates paid our rod rollers, who are the highest priced skilled workmen in the wire mills, with those paid by the German mills. The report made by Charles M. Pepper, special agent of the Department of Commerce and Labor, Washington, D. C., entitled "Iron and Steel Trade in Germany," gives the average workers' earnings. Reduced to a day basis, the best workers in the wire mills receive \$2 per day, and the ordinary day laborers 84 cents per day. The scale of wages paid in the other departments covering the manufacture of wire products we are unable to find quoted; but they are proportionately lower than the rod mill labor, which represents the highest skilled labor employed in the art of manufacturing wire.

The best and latest type of rolling mills and wire-producing machinery has been introduced into Germany; so that their tools are as good as ours, with a very much lower labor cost to operate them, and with really as great a personal efficiency on the part of their workmen as that shown by our workmen.

The total business of the wire industry is approximately 2,500,000 tons per annum, representing in value \$100,000,000. This industry, in all its different ramifications, employs about 100,000 people, consequently supporting about 500,000 persons. The foregoing tonnage covers a complete line of wire products, from the coarsest wire used for telegraph, telephone, nail and fencing purposes to the fine and delicate wire used in the manufacture of pianos, and the finer wires entering into a thousand articles of daily use.

Of the 1,200 tons daily output of the Pittsburgh Steel Co., which I represent, 1,000 tons are put on the free list by the Underwood bill. As our wire products are all of the heavy varieties, entering into the manufacture of market wires, wire nails, field fencing, barbed-wire fencing, and hoops, bands, and cotton ties, our company, representing an investment of \$20,000,000, and employing 5,000 men, would find itself seriously embarrassed by the placing of these products on the free list.

I strongly urge and recommend that in applying the tariff to all metal commodities a specific duty be used instead of an ad valorem, as it lessens the chances of error, and eliminates the temptation on the part of both buyer and seller to undervalue the goods.

I speak for our own company and for other manufacturers in the United States making the same articles. They are manufactured

mostly in the north and central west. Considering the low sea freights from Belgium, Germany, and Great Britain, it is impossible for our manufacturers to compete on equal terms on the Atlantic and Pacific seaboards and in Gulf territory. To illustrate, the ocean freights on these commodities from the countries mentioned average about \$2 and \$2.50 per ton. The lowest rail and water-freight rate obtainable from the Pittsburgh district to Galveston, Tex., on cotton ties, is \$5.20 per net ton; and when shipped all-rail the rate is \$7.10 per net ton. The lowest rail-and-water freight rate to Galveston from the Pittsburgh district on nails, barbed wire, and woven-wire fencing, is \$6.20 per net ton.

Senator SIMMONS. Pardon me right there: You are speaking now of the rates from Pittsburgh to Galveston, always; are you?

Mr. ROWE. Yes, sir.

Senator SIMMONS. Are there any plants manufacturing these things nearer Galveston than Pittsburgh?

Mr. ROWE. There is a plant situated at Birmingham, Ala., and one at Atlanta, Ga.—Mr. Rose's plant.

Senator SIMMONS. You have not the freight rates from those points?

Mr. ROWE. Mr. Rose is here from Atlanta Steel Co.; and at the conclusion of my remarks I am going to ask the chairman for permission to call on Mr. Rose to explain some matters in the southern territory that I am not as familiar with as he is. I think, Senator, he can probably enlighten you better on that subject than I can.

Senator SIMMONS. All right.

Mr. ROWE. If shipped all-rail, the rates are as follows:

	Per net ton.
Nails.....	\$12. 70
Barbed wire.....	11. 20
Fabricated wire fencing.....	13. 10

As most of these products for several years past have been sold to the consumers throughout our country at lower prices than ever before, considering wages paid to labor, and at prices so near to cost as not to give either a fair or a reasonable profit to the average manufacturer, there is no commercial reason why foreign products should be admitted free of duty.

Owing to the low sea freights available to the foreign manufacturers, all of the American manufacturers, with the exception of a very few, will be compelled to yield the seaboard markets to the foreign manufacturers. If these markets are yielded to the foreign manufacturers, the output of these commodities in our country will be proportionately reduced, and to such an extent as to materially increase the cost of the remaining output of American factories; and it will compel many of them to close down entirely. This will be far-reaching, both as to capital and labor, as there are at the present time over 50 different companies engaged in the manufacture of these commodities.

As to cotton ties, they are used almost exclusively in the Atlantic and Gulf States. They are manufactured almost exclusively in the north and central West. Comparing the sea freights available to foreigners with the freights available to American manufacturers, the inevitable result of placing them on the free list will be what it was under the Wilson tariff—to close down all of the cotton-tie mills and allow the foreigners to have the market to themselves.

Senator SIMMONS. Pardon me for one question right there: How would you ship cotton ties from Pittsburgh to Charleston, or to Wilmington, N. C., or to Norfolk, Va.?

Mr. ROWE. Do you mean the Atlantic seaboard ports?

Senator SIMMONS. Yes.

Mr. ROWE. We would probably ship them by rail to Baltimore, and from Baltimore by steamer. I have given you an example here of the difference between the water-and-rail and the all-rail rate. I just read the rate to Galveston.

Senator SIMMONS. Probably that was while I was talking with Senator Johnson. I did not hear you say that. You did give the all-water route rates?

Mr. ROWE. Yes, sir. That is, you could not ship by all water to the Atlantic seaboard ports from Pittsburgh. You would have to ship to Baltimore or Philadelphia.

Senator SIMMONS. Yes. You gave those rates, did you?

Mr. ROWE. Yes.

Senator SIMMONS. So that you use water to a large extent?

Mr. ROWE. If the users of cotton ties were paying an excessive price for them, there might be some justification for what is proposed, but, on the contrary, they are getting them at a price so low as not to allow a reasonable and compensating profit to the manufacturer, even under existing condition. In addition to this, if cotton ties are put on the free list, the same ties can be reimported at the mere cost of sea freights, under which competition the American manufacturers can not exist.

Senator SIMMONS. Right there, again, I should like to ask you a question. I am asking you these things now because I think it is better to have them come in connection with your statement rather than later. You say you are not now getting an adequate profit on cotton ties?

Mr. ROWE. No, sir.

Senator SIMMONS. Why are you not doing so now? You have a duty now.

Mr. ROWE. Owing to the low price prevailing, not only at the present time but for the last two or three years, our company has about decided to discontinue the manufacture of them altogether, and run our mills on some other product.

Senator SIMMONS. I should like to have you tell the committee, if you can, why it is that you can not get now, with tariff protection, a reasonable price for your cotton ties.

Mr. ROWE. I presume it is due to the large output of the commodity.

Senator SIMMONS. Is it a fact that you are producing more than the market needs?

Mr. ROWE. I presume there is a greater producing capacity than the market needs.

Senator SIMMONS. But that would not make any difference, if you were not producing more than the market needed. The fact of a greater capacity would have no effect on the price, would it? The fact that there is a capacity to produce more, if you are not as a matter of fact producing more, does not affect the market price?

Mr. ROWE. Let me explain to you, Senator, that I do not think you quite understand the conditions at the mills at which these cotton ties are manufactured.

Senator SIMMONS. That is what I am trying to understand.

Mr. ROWE. The cotton ties are an incident to the hoop business. In other words, cotton ties are rolled on what are known as 8-inch mills, which are mills equipped for the rolling of various sizes of flat steel hoops of various widths and thicknesses. At some seasons we have entirely withdrawn from the cotton-tie market, perhaps from the fact that hoops were more active. We therefore would not enter the cotton-tie market, and put that product into hoops and small skelp. So we could not operate these mills exclusively on the cotton-tie business. Really, the cotton-tie business is an incident to our company.

Senator SIMMONS. A sort of by-product?

Mr. ROWE. Not a by-product by any matter of means; no, sir. It is strictly a legitimate product.

Senator SIMMONS. There is not any more competition in the sale of cotton ties than there is in the ordinary run of your output, is there?

Mr. ROWE. There are a great many cotton ties imported; to what extent I can not say. I have not investigated the matter. Personally, I am rather indifferent to the business, because it is so unattractive.

Senator SIMMONS. Are you not mistaken about there being any considerable amount of cotton ties imported?

Mr. ROWE. I can not say as to the past year; but in previous years, during the period when the Wilson bill was in effect—

Senator SIMMONS. We are not talking about the Wilson bill now. We are a long time away from that.

Mr. ROWE. That gave them an entrance into the American markets; and I think nearly all of the foreign manufacturers, after having gotten a foothold, did not relinquish the trade then established to some extent.

Senator SIMMONS. You do not know the amount of importations now?

Mr. ROWE. I do know that there have been considerable quantities of cotton ties imported. Just how recently that has been the case I have not the data to tell you.

Senator SIMMONS. My impression is that there is very little imported now.

Mr. ROWE. That may be true. I have not investigated it, Senator.

As to the other products mentioned, the effect will be even more far-reaching, considering the foreign manufacturers' advantage of cheap labor and low cost of manufacture and transportation.

Senator SIMMONS. Right in that connection, before you leave this matter, I should like to say that I find here a statement in the report of the committee of the House in regard to the importations of hoop or band iron, or hoop or band steel, cut to lengths, or wholly or partly manufactured into hoops or ties, coated or not coated with paint or any other preparation, with or without buckles or fastenings, for baling cotton or any other commodity. I find that in 1911 the importations of all kinds were 54,939 pounds.

Mr. ROWE. Of course you understand there is a duty.

Senator SIMMONS. Compared with the total required to bale fifteen and a half million bales of baled crop, that would be a very insignificant amount, would it not?

Mr. ROWE. Oh, yes; that would be very small.

Our markets at Gulf ports and on the Atlantic and Pacific seaboard, from Portland, Me., to Portland, Oreg., and for an average distance of 100 miles inland, will be open to the invasion of the foreign manufacturers. In addition, they can go up the St. Lawrence River through the Great Lakes as far as Duluth. They can also ascend the Mississippi River to St. Louis, or even to St. Paul on equal, if not better, terms. Thus you can see the tremendous effect upon the American manufacturer of handing over to the foreigners all the advantages in trade and competition.

If this emergency is forced upon the American manufacturers, there is only one way they can live; that is by forcing the labor employed in manufacturing, mining, and transportation down to the low wages paid in the foreign countries.

For these reasons we most earnestly protest against the provisions of the Underwood tariff bill placing the products mentioned on the free list, not only in behalf of our manufacturers, but also in behalf of our splendid body of intelligent workmen, who have a right to live according to American standards of life and whose conditions we desire to improve rather than degrade.

Senator SIMMONS. You represent exactly what line of manufacture? What is the general designation of it?

Mr. ROWE. Wire products.

Senator SIMMONS. You do not make nails?

Mr. ROWE. Wire nails?

Senator SIMMONS. Yes.

Mr. ROWE. We make about 8,000 kegs a day—400 tons.

Senator SIMMONS. Do you manufacture your own wire and make your own nails?

Mr. ROWE. Senator, at the present time our plant is equipped with eight open-hearth furnaces, with a capacity of about twelve hundred gross tons of steel per day. That makes the basis of our business. We endeavor to finish this entire output of raw steel into as high as possible a state of finished product. The next step is in the rolling of these billets, or semifinished steel, into wire rods.

The company which I represent has the largest wire plant in the world. Our capacity is 1,000 tons a day. That represents the entire consumption of the United States in wire products when I first engaged in the business. This bill strikes us doubly hard, for the reason that practically our entire business is jeopardized by this measure, putting all our products on the free list.

As to nails, we make, as I stated, about 400 tons a day. Our other products are barbed fencing wire, field fencing wire, fence staples, all kinds of smooth wire, annealed, bright, and galvanized, of the coarsest to the finest sizes, hoops, bands, and cotton ties.

Senator SIMMONS. What percentage of the total domestic production does your concern turn out?

Mr. ROWE. In what line, Senator?

Senator SIMMONS. Take any one of those general lines—nails, fence wire, etc.

Mr. ROWE. Wire nails?

Senator SIMMONS. Yes; wire nails, fence wire, hoops, etc.

Mr. ROWE. I believe a fair estimate of the total consumption of wire nails in the United States is about 15,000,000 kegs. We produce about 2,000,000 kegs.

Senator SIMMONS. About one-seventh of the whole?

Mr. ROWE. I should say about that.

Senator SIMMONS. And about the same proportion of the other things—wire fencing, for example?

Mr. ROWE. That would be true in the case of wire fencing and barbed wire, I think.

Senator SIMMONS. Is there any serious competition between the domestic producers in this country in the matter of fixing the prices of these products?

Mr. ROWE. There is very great competition. As I stated before, the cotton-tie situation is so bad that we have about decided to withdraw from that business, because it is so unprofitable.

Senator SIMMONS. There is competition of two sorts, I think. There is competition as to prices, and there is competition as to customers. Is the competition as to prices or as to customers? What I mean to inquire is this—and I will put it all in one question, so that you can get the line of thought to which I want to direct your attention—is the competition a competition as to prices or as to customers? That is to say, are the prices somewhat uniform throughout the country?

Mr. ROWE. Not any more so than in the case of all other manufactured commodities. I should like to say in that connection, Senator, that I have personally sold barbed wire at 6 cents a pound for painted and 7 cents a pound for galvanized wire. Under a high protective duty those commodities have been gradually cheapened in cost, and to-day the American farmer is getting the finest grade of steel in his wire, manufactured on more scientific lines than ever before in the history of the country, and he is paying to-day 1.55 cents for painted and 1.85 cents for galvanized wire. That is the price for which we sell to the dealers, and they in turn sell to the other dealers and consumers.

Senator SIMMONS. I do not think that exactly meets my inquiry. Let us get down to the concrete. Suppose I am a purchaser of wire nails. You say you produce one-seventh of the output?

Mr. ROWE. We produce, on an average, about 2,000,000 kegs a year. I could not say definitely as to what percentage that is.

Senator SIMMONS. Suppose we assume that there were seven general factories in this country that produced the whole output. If I, as a consumer of nails, were to write you a letter to-day for prices, and at the same time were to write a letter to each of your competitors for prices, would they or not quote me the same price?

Mr. ROWE. Senator, I can only answer for the Pittsburgh Steel Co. As to what our competitors do I can not even venture an opinion.

Senator SIMMONS. Do you not know enough about the business to be able to answer that?

Mr. ROWE. I know what I would quote and perhaps I might get your order and perhaps I might lose it. On the next inquiry I might lose it and the other manufacturer might get it. I think I know what you want and I think I can answer it rather intelligently. Never, during the long years of experience I have had in the wire business, have I known a time where there were absolutely uniform prices. That, I think, will answer your question. The price situation, from my experience and viewpoint, is one largely regulated by the laws of supply and demand.

Senator SIMMONS. They may not be absolutely uniform. I do not suppose there are absolutely uniform prices as to anything; but what I want to know is if there is not substantial uniformity of price throughout the country?

Mr. ROWE. I regret to say that is not the case.

Senator SIMMONS. You think that is not the case?

Mr. ROWE. It is not the case.

Senator SIMMONS. The prices are not maintained?

Mr. ROWE. What do you mean by saying the prices are not maintained? We maintain our prices.

Senator SIMMONS. I mean that there is not such cutting as to bring about a constant change. Is not that so?

Mr. ROWE. There is always cutting and advancing. Senator, I really believe some of you gentlemen have a wrong impression about these commodity values. I hear a great deal about the iron and steel men entering into ironclad agreements. I buy a good many different articles for our company, thousands of different articles, and you would be surprised to find how close they are in values. I am in almost daily contact with our general purchasing agent; I keep in close touch with all the heads of our departments; and it is very remarkable, but it is the fact, that the values of these staple commodities, our commodities, are almost like brown sugar in the grocery store. Our own company has over 100 traveling representatives on the road. They wire us and send us quotations from our competitors. In that way we can ascertain almost to a nicety what the different manufacturers are quoting. We are in the business to make the most possible out of it, and naturally we like to get prices that pay us returns.

Senator SIMMONS. Do you not think the purchaser of nails pays about the same price in all parts of the United States to-day?

Mr. ROWE. Not any more so than in the case of a hundred other commodities. Barbed wire, for instance, that I just mentioned, I have sold at 6 cents a pound for painted and 7 cents a pound for galvanized; yet to-day it is down to 1.55 cents for painted and 1.85 cents for galvanized. Senator, we have not made 2 per cent profit on those commodities for the last two years. I know you are surprised to hear that.

Senator SIMMONS. You have not made 2 per cent?

Mr. ROWE. Not over 2 per cent on that staple—barbed wire.

Senator SIMMONS. What has been your profit on nails?

Mr. ROWE. On nails it is very small. There have been times when we got pretty good profits, when the country was prosperous and active. We have at times fought down the advancing of prices.

Senator SIMMONS. Could you tell, or would you object to telling the committee, what the profits on your business were during 1911?

Mr. ROWE. No, sir; I should be very glad to tell you, Senator. Our company's fiscal year closes on June 30. At the close of our last fiscal year, June 30, 1911, we showed a profit of one million and eighty-some-odd thousand dollars.

Senator SIMMONS. What was the percentage? I can not tell anything about that without the percentage.

Mr. ROWE. We have in our business a capital and surplus of \$17,500,000. That earning would be about 6 per cent.

Senator SIMMONS. Did you carry anything to surplus, or profit, or does that represent your total profits, direct and indirect?

Mr. ROWE. It represents our net profit.

Senator SIMMONS. It includes all elements of profit?

Mr. ROWE. We only have one element—that is our profit of operation or manufacture.

Senator SIMMONS. You understand what I mean. You might declare a dividend of 6 per cent and pay it, and then you might take a part of your earnings and carry it to surplus.

Mr. ROWE. That would be very bad bookkeeping.

Senator SIMMONS. It has been done very frequently, although it may be bad bookkeeping.

Mr. ROWE. When we speak of profit, that is net profit. Then we can do as we please with it. We can pay it out in dividends, or we can build another rolling mill.

Senator JOHNSON. Did that include what was used for improvements or betterments?

Mr. ROWE. That was the amount of our net earnings.

Senator JOHNSON. After deducting what you had paid out for improvements, replacements, or betterments?

Mr. ROWE. Not at all. If I take \$500,000 and put it into a rolling mill I still have the value there.

Senator JOHNSON. You have given us your net earnings for that year. I ask you whether that is the net after taking out what you may have taken from your earnings for the things I have mentioned?

Mr. ROWE. Absolutely, no.

Senator JOHNSON. That is what I want to understand.

Mr. ROWE. That is the amount of our net earnings from operation. If we should build another mill or department we would have to draw on this \$1,080,000 to provide for that.

Senator JOHNSON. Or, if you made improvements, you would deduct them from that?

Mr. ROWE. We would charge that account and credit the improvement account.

Senator SIMMONS. Have you taken the trouble to ascertain the extent and amount of importations by this country of the products that you produce during the year 1911, say?

Mr. ROWE. Senator, we have been doing very little, if anything, in the export business.

Senator SIMMONS. I am talking about imports now.

Mr. ROWE. For that reason our attention has not been devoted in the direction of foreign commerce. We have a very large business in this country and our time is very much employed in looking after it. We endeavor to sell our products in the United States, so I have had no occasion to look into the foreign conditions other than some data pertaining to labor.

Senator SIMMONS. As a matter of fact, we are exporting nails and barbed wire and all other kinds of wire to Canada in large quantities, are we not, and to Europe?

Mr. ROWE. I believe some of the companies are doing it, but we are not.

Senator SIMMONS. But it is being done? The American manufacturers of these products are exporting them to Canada and to Europe.

Mr. ROWE. That is my impression.

Senator SIMMONS. You do not know anything about the facts in connection with it?

Mr. ROWE. Not of my personal knowledge; only from the statements I see in the daily press.

Senator SIMMONS. I understood you to say that you were afraid that if the tariff were removed, the importations from Europe, and from Germany in particular, would have a disastrous effect upon the manufacture of your products in this country.

Mr. ROWE. Undoubtedly; and, Senator, I do not believe the framers of the bill have any conception of how far-reaching it would be if enacted into law.

Senator SIMMONS. If it is true that if we allow the German and the English manufacturers to import wire and nails into this country you will not be able to maintain your competition here and make profits, how is it that our manufacturers of those things are able to go to Europe and to Germany, and there sell those things in competition with the German and the English manufacturers on their own ground?

Mr. ROWE. We tried that several years ago, and we found that the foreign rates absolutely prohibited us from selling barbed wire even to Cuba.

Senator SIMMONS. But your competitors seem to be doing it. If you do not do it your competitors in this country seem to be doing it and seem to be selling large quantities.

Senator JOHNSON. 168,000,000 pounds in 1910.

Senator SIMMONS. The Senator from Maine tells me that in 1910 the manufacturers of this country sold 168,000,000 pounds of barbed wire abroad, valued at \$4,322,000.

Mr. ROWE. That is a very large amount of business.

Senator SIMMONS. I am a layman, it is true; but what I can not understand is how our manufacturers can go into Germany and meet their competition there, and sell this large amount of barbed wire, and yet they can not meet that same competition right at their doors in this country.

Mr. ROWE. Senator, I can not speak from personal knowledge; but do you ask my opinion as to why they are able to do that?

Senator SIMMONS. I want an explanation of that condition, if you can give it. It does not seem to be consistent with the position you are taking now.

Mr. ROWE. In my judgment 90 per cent of the steel products that are exported from the United States are exported by the United States Steel Corporation, and they are able to get much lower rates than ourselves or other manufacturers. Owing to their great diversity of products, they can charter vessels, and, by combining cargoes, they will make a shipload of barbed wire, wire nails, tubes, tin plate, and practically all the lines represented in the industry. I believe that by chartering those tramp vessels they can reduce the freights to foreign countries to about one-half of what the other manufacturers can get. I must confess that as an American citizen I am surprised at the lack of legislation on the part of our statesmen to give us a merchant marine.

Does that answer your question? I believe the United States Steel Corporation are enabled to do all of the export business that is done

in the United States on account of their chartering vessels at a very nominal rate.

Senator WILLIAMS. Suppose the freight did not cost anything at all; suppose they could lay down the product in New York to Hamburg for nothing, and meet German competition in Germany; why could we not meet the same competition in the United States?

Mr. JAMES A. CAMPBELL. I should like to ask if it goes to Germany? Does it not go to the neutral markets rather than to Germany?

Mr. ROWE. The barbed wire that the Senator is speaking of I think goes largely to South America, Cuba, and some of it perhaps to Africa. Senator, answering your question, I am not in touch with the export business.

Senator HEYBURN. I thought you were assuming that it all went to Europe. I have the figures showing what went to the different countries. A very small proportion of it went to Europe.

Mr. ROWE. Senator, I do not think any of that wire is being shipped into Germany or England.

Senator HEYBURN. Then the question as to landing it free on the European coast would not have any application at all.

Senator WILLIAMS. Suppose, then, that it goes to South America: Where else do you say it went to? Let us see where it does go?

Mr. ROWE. Some of our exports go to Australia, and we send nails to Japan and China.

Senator SIMMONS. I will give you the figures showing what does go to Europe.

Senator WILLIAMS. Here they are—"exports of wire." I find that some goes to Australia. I find that some does go to Germany, too.

Senator JOHNSON. Barbed wire, Senator?

Senator WILLIAMS. Yes; this is barbed wire.

Mr. ROWE. How much, Senator?

Senator WILLIAMS. 397,000 pounds. I find that some goes to the Netherlands, a very large amount—a million and a half.

Mr. ROWE. That is 750 tons. That is very small.

Senator WILLIAMS. Very well. A million and a half dollars may be very small in your mind.

Mr. ROWE. I thought you said "pounds." I thought you were giving it in pounds.

Senator WILLIAMS. I mean pounds.

Mr. ROWE. Then that is 750 tons.

Senator WILLIAMS. Let us take it now in dollars' worth, so that we can understand it better. I find a small amount goes to Bulgaria; a small amount goes to Germany; \$32,000 worth goes to the Netherlands; \$11,000 worth to Norway; very small amounts to Roumania, Russia, and Spain; \$16,000 worth to Turkey; \$18,000 worth—nearly \$19,000 worth—goes to England. These are the Government figures. Then I find that we send to Canada nearly half a million dollars' worth—\$493,773, to be exact.

Mr. ROWE. Of what?

Senator WILLIAMS. Of barbed wire.

Mr. ROWE. May I ask you to repeat the amount of barbed wire that went to Canada?

Senator WILLIAMS. \$493,773 worth in the year 1909, and it increased to \$839,818 worth in the year 1910. That goes to Canada, where Great Britain has a preferential tariff in her favor. There is a

small amount that goes to Germany. There is a larger amount that goes to the Netherlands.

Mr. ROWE. Is any barbed wire shipped to Germany?

Senator WILLIAMS. Yes, sir; \$32,824 worth.

The CHAIRMAN. Senator Williams, if you will allow me to interrupt you for a moment, it was stated before this committee two years ago by Mr. Farrell, I think, who was then at the head of the export department of the United States Steel Corporation, that these shipments did not indicate that the products went into those countries. They are reshipped, as I understand, to China, South American ports, and other neutral markets. It does not follow that they were consumed in the Netherlands, simply because they were shipped from this country to a port in the Netherlands.

Senator WILLIAMS. That may be.

The CHAIRMAN. That was distinctly stated by Mr. Farrell two years ago, as I recollect.

Senator WILLIAMS. I do not know about that. I have not had an opportunity to examine into the matter, and do not know whether he is stating it correctly or erroneously. But the statement here is that in 1909 we shipped \$32,842 worth to Germany, which increased in 1910 to \$41,115 worth. I find what I have read you about Canada. I find that in 1909 we exported to Mexico \$456,475 worth, and that increased in 1910 to \$609,732 worth. You happened to mention Cuba a moment ago. I find that in 1909 we exported to Cuba \$325,352 worth, and that increased in 1910 to \$355,848 worth. I find that we exported to Argentine in 1909 \$937,767 worth, and that that decreased in 1910, but remained at \$493,277 worth. I find that we exported to Brazil in 1909 \$295,097 worth, and that increased in 1910 to \$378,917 worth. (I am taking the more important shipments now.) I find that we exported to Australia and Tasmania in 1909 \$179,631 worth, which decreased in 1910, but remained at \$86,633 worth; that we exported to New Zealand in 1909 \$67,948 worth, and that increased in 1910 to \$110,337 worth; that we shipped to British South Africa (a British colony) in 1909 \$320,073 worth, which increased in 1910 to \$476,031 worth.

To make a long story short, leaving out Germany and the Netherlands and Europe proper, we shipped a very large amount of barbed wire to the various neutral markets of the world, where we had an equal opportunity, and where, if there was any tariff, it operated against the European producers as well as against us, and to Canada, where we know there was an unequal tariff with a British preferential.

The question Senator Simmons asked you was this: How do you explain the fact that we could compete in these neutral markets, and could compete, to some extent, at any rate, in the European markets themselves, paying the ocean freight—or, for the sake of argument, admitting that we paid no freight at all, that they made us a present of it—and yet we could not compete in our own country against the same people?

Mr. ROWE. My answer to that is, Senator, that the company making those shipments is the proper one to answer the question. Our company is not at all engaged in the exportation of our products, and we are not sufficiently in touch with the situation to venture an opinion.

Senator WILLIAMS. Then your answer is that you do not know enough about it to explain it? That is the fact about it?

Mr. ROWE. Yes.

Senator SIMMONS. Just one other question. While as a matter of fact we are annually shipping large quantities of these products into foreign markets, and especially to the neutral markets of the world, and selling them there in competition with all of our European competitors, is it not a fact that in our own markets we practically control the situation, and have only a very negligible amount of importations?

Mr. ROWE. We control the situation in the United States under this protection that we enjoy. But as to our controlling the situation in the world's markets, I can not answer. I am not engaged in the exportation of these products.

Senator SIMMONS. We are exporting abroad large quantities, but are importing into this country scarcely any of these products, under present conditions.

Mr. ROWE. I have not investigated that, Senator. I am sorry I can not give you more information on that subject.

Is that all, Mr. Chairman?

The CHAIRMAN. That is all, I think.

Senator HEYBURN. One moment; let us put in the figures. The Senator from North Carolina has used the term "large quantities." The November financial sheet of the Government shows that those "large quantities" of barbed wire exported to all countries in the world amounted to \$4,861,663; and by far the greater part of that was exported to what we call new countries, Canada being the largest, and Argentina and the other new countries making up practically all of the exports.

Senator SIMMONS. I beg your pardon; I quoted the total exportation figures, and the witness himself said: "That is a large quantity."

Senator HEYBURN. Yes; but I wanted to put in, right in connection with it, what "large" really meant.

Mr. ROWE. We would like to have some of that foreign trade, gentlemen; and in behalf of our company I wish you would take some interest in the merchant marine, so that all the steel companies can participate in the world's markets.

Senator HEYBURN. I think you will find a good many people in sympathy with you on that question.

Mr. ROWE. I strongly recommend that some action be taken in that direction.

Gentlemen, I thank you for your attention.

The CHAIRMAN. The chairman of the committee is informed that Mr. Campbell can throw a little light on the export business.

Senator WILLIAMS. Mr. Chairman, before we proceed to that, I want to put some figures in the record right after the last witness's testimony. I have marked them here. They are the more important exports to various countries, taking the largest amounts of other wire as well as barbed wire.

The CHAIRMAN. The clerk of the committee will take the figures and have them inserted in the record.

The figures referred to are as follows:

Exports from the United States of all kinds of wire other than barbed wire.

	1909	1910
England.....	\$98,643	\$93,442
Scotland.....	17,686	16,320
Canada.....	1,169,197	1,266,835
Mexico.....	274,198	266,070
Cuba.....	129,806	178,244
Argentina.....	412,682	570,262
Chile.....	87,665	175,495
Uruguay.....	37,868	45,825
Australia and Tasmania.....	787,724	819,854
British South Africa.....	98,176	94,802

Senator WILLIAMS. Mr. Chairman, I find here the figures for 1911 on the same two products for the same countries. I desire that they also go in the record with the other table.

The CHAIRMAN. The figures will be put in the record.

The tables referred to are as follows:

Exports from the United States of barbed wire for the year 1911.

Netherlands.....	\$36,517	Brazil.....	\$578,745
Norway.....	14,256	Chile.....	139,895
England.....	55,081	Colombia.....	170,773
Canada.....	707,893	Australia and Tasmania.....	130,453
Mexico.....	524,459	British South Africa.....	463,903
Cuba.....	396,659	Portuguese Africa.....	139,261
Argentina.....	459,457		

Exports from the United States of all kinds of wire other than barbed wire for the year 1911.

Norway.....	\$31,342	Chile.....	\$342,843
England.....	183,743	Chinese Empire.....	107,681
Canada.....	1,483,075	Japan.....	129,649
Mexico.....	253,108	Australia and Tasmania.....	1,228,382
Cuba.....	206,268	New Zealand.....	231,648
Argentina.....	863,558	British South Africa.....	174,897

FURTHER STATEMENT OF MR. JAMES A. CAMPBELL, OF YOUNGSTOWN, OHIO.

Mr. CAMPBELL. Mr. Chairman, we are interested in the wire business. We make from 400 to 500 tons a day of wire products. For several days the gentlemen here have been trying to get an explanation of why we can export all kinds of steel products into other countries and yet can not compete on a free-trade basis at home. I think perhaps I can throw a little light on that subject.

All of this exporting is done by the United States Steel Corporation. They have an Export Products Co., which has agents in all of the principal cities in foreign countries, especially in all of the neutral markets.

Senator WILLIAMS. Do you make the statement that all of the exports from the United States of steel and iron products are made by the United States Steel Corporation?

Mr. CAMPBELL. Nearly all; 98 per cent. I should say they must export about 98 per cent.

Senator WILLIAMS. Agricultural implements, sewing machines, typewriters, etc.?

Mr. CAMPBELL. No; I am talking now only about the product we manufacture—iron and steel products. I think a large quantity of agricultural implements are exported from this country because it has better machinery than they have abroad. But the products in which we are interested, and which we have been talking about here yesterday and to-day—that is, steel bars, pipe, wire, wire nails, barbed wire, etc.—are exported by the United States Steel Corporation.

It is a well-known fact, among the steel manufacturers at least, if not among you gentlemen, that the steel corporation have many advantages of manufacture. It largely comes, I think, from transportation. They own their own railroads and their own boat lines to their mills. They also own, of course, all of their raw materials, and they have several dollars a ton advantage over the independent manufacturers, or we people who are running our own single plants. Not only that, but they have it localized. They have plants in all parts of the country—in the South and in the Chicago district and in the Pittsburgh district; and they have formed this export company—

Senator LODGE. They have them in Worcester, too, have they not?

Mr. CAMPBELL. Yes; and in Worcester, Mass., and at almost every place where there is any manufacture of iron and steel. They have large interests in Cleveland.

Senator HEYBURN. Have they any abroad?

Mr. CAMPBELL. I think not. They will have, however. I think the next move they will make will be to have one on the seaboard, because they have accumulated a large quantity of Cuban ore. But, as I say, in the first place, they have this advantage in manufacture. In the second place—

Senator SIMMONS. Pardon me. You said they had accumulated a large quantity of Cuban ore?

Mr. CAMPBELL. Yes, sir.

Senator SIMMONS. Do you mean they have bought Cuban mines?

Mr. CAMPBELL. It is not developed yet. They are not operating the mines, but they have a very large tonnage—several billion tons.

Senator SIMMONS. They own the mines?

Mr. CAMPBELL. They own the property, but the mines have not been developed. There are only two properties there that have been developed. The large development has been done by the Pennsylvania Steel Co.

These exportations, as I say, have been made by them. They make them because, in the first place, they have a very large tonnage, and they want a market for this tonnage every year. They would not care for the foreign markets in good years at home, when business is good and prices are normal, and they can get a home market. But they can not go into the foreign markets in bad times at home and get any business, unless they are willing to sacrifice some of their product in good times. So they have organized this company, and have their agents, and keep them there continuously. In good years at home they sell much less; they sell as little as they can; but they try to keep their place in the market there, so that in the bad years, such as we have had recently and are having now, their exportations are very large.

Last year 2,000,000 tons of iron and steel products were exported, which is the largest amount, I think, that ever has been exported from this country. They not only have their advantages in manufacture, but they have their advantages that Mr. Rowe spoke about in combining cargoes and employing tramp steamers, or getting low prices on steamers abroad. Many times they sell this product at very much less than it costs us, and I think sometimes less than it costs them, or less than they could get at home. But when business is good abroad, as it is at present, and prices are very much depressed here, and we have not the business to take up the capacity of the mills, they make their money abroad.

There has been great complaint among Congressmen generally, because we export at lower prices than we sell for at home. I do not think you ought to complain about that. Unless we operate our mills to their full capacity we can not get the best costs. If we can sell 80 per cent of the capacity of our mills at home and get a fair price for it, and we can sell 20 per cent abroad and get cost for it, it enables us to operate our mills full, and produce the product that we sell at home at a lower price than we would otherwise. Not only that; it gives employment to our labor here; so that even though we made no profit on it at times we would be glad to export.

We do not do any exporting, and none of the independent companies do any exporting to speak of, because we can not afford to do it. We can not make the stuff cheaply enough, in the first place. We can not combine the cargoes. We have not the large line of different kinds of material that the steel corporation export, and for that reason I think there is this large amount exported abroad.

I think you are mistaken about any large amounts going into the cheaper markets on the other side, like Germany. I think Senator Penrose has stated that sometimes the product is billed to those countries, rebilled, and shipped to South America or to Australia or to other points. They do that because they get lower freight rates in that way.

Senator HEYBURN. They get a cheaper class of vessels?

Mr. CAMPBELL. They get a cheaper class of vessels.

Senator SIMMONS. Suppose a cargo was billed to Germany. It would have to be landed there, would it not, and transferred?

Mr. CAMPBELL. It might be landed at a port there and reshipped to some other port.

Senator SIMMONS. I do not know; I am just asking for information. Could that be done without paying the German duty?

Mr. CAMPBELL. Oh, yes; if it was not going to be consumed in Germany.

You have referred to Canada. The duty in Canada is very small; but our exports there are small, and they are especially small in the eastern part. But when you talk about barbed wire going into Canada, let me say that it goes into Alberta or western Canada, where we ship it to Duluth by boat, and where our freight is very much less than the English manufacturers can ship it for to Montreal, and then ship it by rail across the continent. That is the reason we go into Canada. Besides, the duty is so very small there.

Senator WILLIAMS. You have just made the statement that these exports of barbed wire into Canada were into certain parts of Canada, and not into other parts. Would you mind putting in your remarks

a detailed statement showing just what parts it goes into, and then stating the source of your information?

Mr. CAMPBELL. I am in the barbed-wire business, and I know something about that. We never would think of trying to quote a price in eastern Canada. But in western Ontario and in Alberta, in the western part where we can get the cheap water rates to Duluth and to Port Arthur and Fort William, we can manage to put some material in there. We never have sold barbed wire there, however. We have sold a little wire, but we never have been able to sell barbed wire, even in the West.

Senator WILLIAMS. Do you sell any wire in Canada, yourselves?

Mr. CAMPBELL. Yes, sir.

Senator WILLIAMS. Your own plant?

Mr. CAMPBELL. Yes, sir.

Senator WILLIAMS. Barbed wire?

Mr. CAMPBELL. No, sir.

Senator WILLIAMS. Other wire?

Mr. CAMPBELL. Plain wire.

Senator WILLIAMS. Not barbed wire?

Mr. CAMPBELL. Not barbed wire.

Senator WILLIAMS. So that you do not know, of your own knowledge, from experience with your own plant, what parts of Canada barbed wire is shipped into?

Mr. CAMPBELL. We do not ship any barbed wire into Canada, because we can not produce it cheaply enough to market it there. We have tried.

Senator HEYBURN. There is another reason, too, is there not? A very intelligent prejudice has arisen against using barbed wire where they run horses and that class of stock?

Mr. CAMPBELL. Yes, sir.

Senator HEYBURN. I hope it will entirely cease.

Mr. CAMPBELL. I hope so, too; because we have never made a dollar on it since we have been in the business.

Senator WILLIAMS. What do you make, besides wire, in your plant?

Mr. CAMPBELL. We make steel billets, sheet bars, pipe, galvanized and black, and all kinds of oil-well casing and tubing; we make sheets, both galvanized and black, and roofing; and we make wire and wire fencing and barbed wire and wire staples.

Senator WILLIAMS. You do not make any structural iron?

Mr. CAMPBELL. We do not make structural material.

Senator WILLIAMS. Or tin plate? Do you make any sheets and plates?

Mr. CAMPBELL. We make black and galvanized sheets.

Senator WILLIAMS. Do you know whether any sheets are exported abroad from America?

Mr. CAMPBELL. Yes; quite a large tonnage, but only by the Steel Corporation.

Senator WILLIAMS. I find here that in 1910, in round numbers, four and three-quarter million dollars' worth were exported to Canada, and that the amount was increased in 1911 to six and a half millions in round numbers. I find that to Mexico we sent, for the first year, \$400,000 worth, and the second year \$297,000 worth; that to Cuba we sent, for 1910, \$108,490 worth, and for 1911, \$131,394.

worth. The next item must be a misprint, I think; but it is reported here that we sent \$239,894 worth of sheets and plates to Japan in 1911.

Mr. CAMPBELL. I do not think that is unreasonable.

Senator WILLIAMS. I think that must be a mistake. I do not think we did send that much. Then I find that in 1910 we sent to Australia and Tasmania (British colonies) the amounts which I will read. By the way, in going to Australia and Tasmania you either have to go around the Horn, or else across the American Continent, or else east through the Suez Canal—one of the three?

Mr. CAMPBELL. They go around the Horn, I think.

Senator WILLIAMS. I find that notwithstanding that interminable passage, in 1910 we exported to Australia and Tasmania \$78,701 worth, and that increased in 1911 to \$284,835 worth; and I find that we have been shipping, every year, as far as these tables go, somewhere between seventy and ninety thousand dollars' worth, for quite a period back. What you have testified to about wire would be substantially your testimony as to sheets and plates, too, would it not?

Mr. CAMPBELL. Yes, sir; it applies largely to all iron and steel products. We recently sold a pipe line into Cuba.

Senator WILLIAMS. And your explanation about wire, as far as you have made it, will be likewise your explanation about the other things?

Mr. CAMPBELL. Yes, sir.

Senator WILLIAMS. You do not make locks and hinges and builders' hardware, do you?

Mr. CAMPBELL. No, sir.

Senator WILLIAMS. You do not make any tools?

Mr. CAMPBELL. No, sir.

Is there anything else you would like to ask me?

The CHAIRMAN. That is all.

STATEMENT OF MR. JOSIAH T. ROSE, OF ATLANTA, GA., REPRESENTING THE ATLANTA STEEL CO.

The CHAIRMAN. With what concern are you identified?

Mr. ROSE. The Atlanta Steel Co., of Atlanta, Ga.

The CHAIRMAN. You may go on and make your statement.

Mr. ROSE. In appearing before you I represent primarily the Atlanta Steel Co., of Atlanta, Ga., a corporation with approximately \$2,000,000 invested in buildings and equipment, employing 750 men, with a daily pay roll of \$1,500, or approximately \$500,000 a year, and with gross sales amounting to about \$1,500,000. In a general way, I am glad to speak for other manufacturers engaged in a similar line of work.

Senator WILLIAMS. What do you make?

Mr. ROSE. I will give it all to you in just a minute, Senator. I have it here.

Senator WILLIAMS. Can you not give it to me now? I want to hunt up the figures about it.

Mr. ROSE. We make the wire products—wire, wire nails, fencing, bale ties, barbed wire, hoops, cotton ties, and bands.

Senator WILLIAMS. All right.

Mr. ROSE. The so-called Underwood tariff bill puts on the free list articles which we and some other southern manufacturers produce,

as follows: Wire, wire nails, barbed wire, field fencing, bale ties, barrel hoops, and cotton ties. A glance at these will show that they are the small-tonnage products of a steel mill, where the number of workmen per ton of product produced is great, and the pay rolls form a large percentage of the gross sales. Our workmen, therefore, are most vitally interested in this measure, as well as our stockholders.

We have an investment at stake; but most of the buildings, especially those where the small products are made, could be used for the manufacture of some other finished article. But in the case of the workmen in the mills producing these light articles, they will be unable to make so satisfactory a change. Operators of wire drawing blocks (wiredrawers) seem not to be made—they grow; and when matured they know no other work and have no desire to learn another trade. They would therefore be unfitted for any other class of semi-skilled labor. It also takes years of practice and experience to develop skill and accuracy in the heating, rolling, and bundling of hoops and cotton ties; and because of the time and skill required, these men have reached middle age, have been receiving high wages, and would be unfitted for other work. The effect, therefore, of forcing hundreds and thousands of these men to begin life anew would work a great hardship on our American labor.

Germany is this country's greatest competitor in products where labor enters largely into the articles produced. The manufacture of the light steel articles, which it is proposed to put on the free list, is no exception to this rule. Let us assume for the sake of comparison, what the questions yesterday developed was in the thought of some of the Senators as a thing that could be done, without stating it as a fact, however—that we can produce in this country the heavy steel articles, where expensive machinery takes the place of many men, as cheaply as these heavy articles can be produced in Germany. I do not make that statement as one of fact, but only as a matter of comparison. The following statement will convince you, if it be necessary, that such an assumption could not be true of the lighter steel articles, where labor cost is a large factor in the total cost.

If you have seen a wire and nail mill in operation you have a fair idea of how much of a workman's time it takes to draw a ton of wire, and how much watchful care and time it takes for a nail-machine operator to watch the making of a ton of this wire into nails. If you have seen a small rolling mill rolling light hoops and cotton ties, and noted the number of men it takes in the heating and rolling and bundling of this material, and realize that the output in a nine-hour day is but from 30 to 50 tons, you can realize what a large item of cost the labor represents.

You have been given information, with which you were probably all more or less familiar, regarding the wages paid in this country. The report of the Bureau of Commerce and Labor states that in Germany rolling-mill rollers receive from \$1.60 to \$2.24 per day, or an average of about \$11 per week; whereas in our mills some of the rollers make this amount per day. The report also states that common labor receives from 78 cents to 97½ cents per day. Our common and semiskilled labor in this country receives at least double these wages.

It can not be assumed that we can overcome this difference in labor cost by an increased production of these small steel articles. The

foreign producer uses, in many cases, the same machines as we use, running at the same speed, and therefore the difference in the cost of labor abroad and at home in the production of these small steel articles must be overcome by protection sufficient to equalize this difference in labor cost.

Give us the same labor cost and satisfied workmen and we will produce even these small articles probably as cheaply as any other country. But cost of production, f. o. b. mill, is not all, even though it is enough, against us. I am told that an ocean rate of approximately \$2 per ton can be secured from the German mills to our Atlantic and Gulf ports. We are mainly interested in those ports.

Senator SIMMONS. Pardon me right there. You are giving now the freight rate from Germany to America?

Mr. ROSE. I said that that had been stated. I do not know the rates, Senator.

Senator SIMMONS. Can you give, right in that connection, the freight rate from America to European ports?

Mr. ROSE. We do not export. I will give you, however, our rates to those same points.

How much less rates could be secured on yearly contracts for large tonnages would no doubt develop should this bill become a law. The rates from American mills producing these articles for shipment to Atlantic and Gulf points range from about \$2.80 to \$6.70 per ton.

Senator, you asked about the rate from a southern mill to Galveston?

Senator SIMMONS. No; I did not.

Mr. ROSE. I thought you did, and Mr. Rowe referred you to me. Pardon me.

Senator SIMMONS. I asked the rate from American ports to European ports. You gave the rate from European ports to American ports.

Mr. ROSE. Pardon me. We are referring to two different things. You asked Mr. Rowe that question, I thought, and he referred you to me. You asked if there were not mills producing those commodities at a nearer point than Pittsburgh.

Senator SIMMONS. Yes; I asked that. That is the subject you are referring to, then?

Mr. ROSE. Yes, sir; not the question you asked me, but the question you asked him.

Senator SIMMONS. Yes.

Mr. ROSE. On account of our location and on account of there being no regular established boat lines either from Atlantic points or from Gulf points, like Mobile and Pensacola and Galveston, we are forced to ship from Atlanta to Galveston by all rail. Therefore our rates are higher than the rates from Pittsburgh, the product from Pittsburgh being shipped to tidewater, with regular boat lines running from tidewater to Galveston. We are obliged, because of that, to turn over practically all of the Texas business to our Pittsburgh competitors.

These rates are the lowest rail-and-water combination rates; and in order for the manufacturer to secure the advantage of them he has to ship his products to the same ports where foreign goods would be delivered, and in turn reship them from these ports to the interior points. This means that the American manufacturer would be not only practically shut out from all port business, but would have to

surrender a large percentage of interior business to foreign manufacturers. It is true that some interior rates are at present figured on the all-rail rate; but the tendency of State railroad commissions is to reduce rates within their jurisdictions.

Senator SIMMONS. Right there, will you permit me to ask you a question?

Mr. ROSE. Yes, sir.

Senator SIMMONS. Suppose we take Galveston for an illustration. You want to reach the interior points of Texas, we will say, and the adjoining States. You say you can ship cheaper by all-rail than you can by water to Galveston and then distribute from Galveston?

Mr. ROSE. Yes, sir.

Senator SIMMONS. How would your all-rail rate compare with the rate from Europe to Galveston, plus the rate of distribution from Galveston? Of course the European manufacturer would have to take his product to Galveston.

Mr. ROSE. Yes.

Senator SIMMONS. Then, if it was destined to some point in the interior, he would have to pay the additional freight.

Mr. ROSE. Yes, sir.

Senator SIMMONS. So that, as compared with your all-rail rate in the interior, his rate would be the rate from Europe to Galveston plus the rail rate from Galveston to the point of ultimate destination?

Mr. ROSE. Senator, the railroads arrange those rates. For instance, our rate to Dallas is a combination of our rate to Galveston plus the local from Galveston to Dallas.

Senator SIMMONS. Do you mean to say, then, that the European rate would be fixed in the same way?

Mr. ROSE. No, sir. I mean only this: We could deliver those ties at Galveston, and then they would be shipped from there to Dallas, and the rate we would have to pay from Galveston to Dallas would be the same as a foreign producer would have to pay from Galveston to Dallas. Therefore, Galveston is really the basing point. I wonder if I have made that clear. Our through rate is made up of the total of the two locals, based on the port point.

Senator SIMMONS. Whether you ship by rail or water?

Mr. ROSE. Of course, we have to ship by rail. What I was trying to bring out is the tendency of the railroad commissions.

Senator SIMMONS. What I wanted to get at was the differential between your rate and the foreigner's rate to Dallas.

Mr. ROSE. Our rate is 38 cents per hundred pounds from Atlanta to Galveston, which is \$7.60 a ton; and I understand that a boat rate to that point is less than \$2.50 a gross ton.

Senator SIMMONS. Do you mean that the ocean rate from European points to Galveston is \$2 and the ocean rate from Atlanta is \$7.60?

Mr. ROSE. We have no ocean rate, Senator.

Senator SIMMONS. I know you have no shipping; but do you mean that when you get to the nearest coast point the ocean rate from your nearest coast point to Galveston is \$6?

Mr. ROSE. No, sir. There are no regular boat lines from our nearest coast point. In other words, there is no regular boat line, unless we should undertake to ship a cargo there, which we can not do, and charter a tramp steamer. We might do that at Mobile or Pensacola; it might be done; but it is difficult for us to handle it in that way.

Senator SIMMONS. If you were going to supply a customer at Dallas, how would you ship to him?

Mr. ROSE. We would ship by all rail.

Senator SIMMONS. All rail?

Mr. ROSE. Yes, sir.

Senator SIMMONS. What is your all-rail rate?

Mr. ROSE. Thirty-eight cents per hundred pounds, which is \$7.60 a ton.

Senator SIMMONS. If the European was going to ship to Dallas, he would ship to Galveston?

Mr. ROSE. Yes, sir.

Senator SIMMONS. And then by rail to Dallas?

Mr. ROSE. Pardon me. Did you say Dallas in the first place?

Senator SIMMONS. Yes.

Mr. ROSE. I can not tell you, because it would be 38 cents plus the local from there to Dallas.

Senator SIMMONS. Well, pick out some point in Texas, we will say?

Mr. ROSE. Dallas is a good point, only, inasmuch as we have had to turn that market over to somebody else, I am not familiar with the local rate.

Senator SIMMONS. You said your rate was 38 cents?

Mr. ROSE. That is to Galveston, Senator. I have forgotten what it is to Dallas.

Senator LODGE. To Dallas it is your rate to Galveston, plus the local rate from Galveston to Dallas?

Mr. ROSE. That is it exactly.

Senator LODGE. The foreign rate is the ocean rate to Galveston, plus the local rate to Dallas?

Mr. ROSE. The same local we would have to pay from Galveston to Dallas; yes, sir.

Senator LODGE. Therefore you can throw out the local, because it is the same in both cases?

Mr. ROSE. In other words, if we have got to pay \$7.60 a ton to get into Galveston as against their \$2.50, we can not get in.

Senator SIMMONS. What is the ocean freight rate per ton from Hamburg to Galveston, or from Liverpool to Galveston?

Mr. ROSE. As I say—it is only stated in general—I understand it to be about \$2.50.

Senator SIMMONS. What is the rate from Pittsburgh to Galveston by water?

Mr. ROSE. Mr. Rowe can answer that better than I. [After consultation with Mr. Rowe.] \$5.60.

Senator SIMMONS. \$5.60?

Mr. ROSE. Yes, sir.

Senator SIMMONS. So that the water rate from Pittsburgh is how much more than it would be from Europe?

Mr. ROSE. \$5.20 against \$2.50 would be \$2.30.

Senator SIMMONS. \$3.10, I think.

Mr. ROSE. All right; I did not stop to subtract.

I was mentioning the fact that the tendency of State railroad commissions is to reduce rates within their jurisdictions. Therefore, from year to year a larger section of our country will use port points as basing points for interior distribution; and not only will our coast be surrendered, but a large part of our interior also.

What will we gain, as a people, by all this? Possibly a short period of slightly lower prices; jobbers and retailers will have to carry larger stocks, as they will be unable to secure shipments promptly, or the farming community, in whose interest this bill evidently is proposed, will have to wait until the jobbers can secure foreign-made material. Nails and wire must be had at seasons of the year when the farmer can use them, but the exact time depends upon weather conditions. If, therefore, he should be unable to secure these when he wants them, he would not have the time to use them at a later time. This is also especially true of the use of cotton ties. The history of the cotton-tie market the year following the passage of the Wilson bill, with ties on the free list, and yet the price of foreign-made ties the highest ever known, is not forgotten by the consuming trade.

As southern producers we appeal to you to give us the protection on which we based our calculations when starting our industry. Our southern mills especially need it at this time, as we are asking capital to join with us in the development of our resources. Some of our southern concerns, no doubt worthy, are having trouble at this time in properly financing their business, and this uncertain legislation is no doubt influencing eastern capital against seeking investments in southern steel enterprises.

Senator SIMMONS. While we are on that question of freight rates as against the American, what you said about that would apply only to Pacific coast and Gulf ports, would it not?

Mr. ROSE. Our rate, Senator, from Atlanta to Gulf points is about \$2.60 a gross ton.

Senator SIMMONS. I understood that; and you said there was a difference in freight rates in favor of the European of about \$3.10 to the points you mentioned. Now I am inquiring of you whether there would be that difference in freight rates against you on the Atlantic seaboard and in interior States?

Mr. ROSE. Not so much as we get closer to our plant.

Senator SIMMONS. To illustrate, suppose we take States in the central portion of the country—for instance, Ohio, Indiana, and Kansas; what would be the freight rate from Pittsburgh and from Atlanta to those points, as compared with freight rates that the German or English competitor would have to pay to get to those markets?

Mr. ROSE. Senator, inasmuch as we do not ship material north of the Ohio River at all, I would have to limit my answer to that strictly to the Southern States.

Senator SIMMONS. You know enough about freight rates, I think, to answer that question in a general way. Could you not get into the markets of Indiana, Ohio, Kansas, and the Dakotas, and could not the Pittsburgh manufacturer go into the markets of those States, with wire nails, so far as freights are concerned, much more cheaply than his European competitor could?

Mr. ROSE. It would depend, of course, somewhat upon the rates, whether or not they used river points as basing points for making their rates to the interior points. If they do that, and this material is let in free of duty, it is going to be very hard for the American manufacturer, if not impossible, to take much of that interior business, and he will be practically cut out of port and river point business.

Senator SIMMONS. You do not mean to say that the freight rate from Pittsburgh, say, to St. Louis, would be greater than the freight rate from a German port to St. Louis, do you?

Mr. ROSE. The rate from Pittsburgh to St. Louis, I believe, is 22½ cents a hundred pounds; that is about \$4.50 a ton.

Senator SIMMONS. How would the German get his product there?

Mr. ROSE. He would get his product there by bringing it to New Orleans and bringing it up the river. If St. Louis is then made a basing point, Senator, for distribution in the State of Missouri—which it is—the foreigner could then market his material at these interior points at the same price from St. Louis, of course, as the American could, and the American would have no advantage in the through rate, because St. Louis is made a basing point for interior points.

Senator WILLIAMS. Why is it the Pittsburgh man would not send his goods down the Ohio River and up the Mississippi?

Mr. ROSE. He may do that. I was giving you only the rail rate.

Senator WILLIAMS. Do you know what the water rate is? You are comparing the Pittsburgh man's rail rate with some other man's water rate.

Mr. ROSE. Certainly, for interior distribution.

Senator WILLIAMS. I understood you to say a moment ago that the effect of putting cotton ties upon the free list would be to raise the prices of cotton ties.

Mr. ROSE. It had that effect one year.

Senator WILLIAMS. Do you think the cause of it was putting cotton ties on the free list?

Mr. ROSE. I could not say.

Senator WILLIAMS. Do you not know, as a matter of fact, that it was not?

Mr. ROSE. My opinion of the cause of it was that there were not sufficient ties produced, either by the foreign manufacturer or the American manufacturer, to take care of the crop.

Senator WILLIAMS. And there was a combination amongst the tie makers that year, was there not?

Mr. ROSE. Not that I know of.

Senator WILLIAMS. Is not that an historical fact?

Mr. ROSE. Not that I know of.

Senator WILLIAMS. So that you state that, in your opinion, the effect of reducing the duty on a product was to raise the price of the product?

Mr. ROSE. I want to be fair—

Senator WILLIAMS. That is what I want you to be.

Mr. ROSE. I say it was because the European manufacturer did not know how many ties he would be able to market in this country; and on account of them being in here free of duty, the American manufacturer was afraid to go ahead and make the ties for fear the price would be below cost. To-day we are making ties which we expect to ship next August. If we did not make them now, we could not make a sufficient number in July and August to take care of the crop.

Senator WILLIAMS. In other words, if a reduction of a duty, putting a product on the free list, is accompanied or followed by a rise in the price of the product, it must be due to some other cause than putting the price upon the free list, must it not?

Mr. ROSE. I think it is uncertain.

Senator WILLIAMS. Right in that connection, and immediately after this witness's testimony, Mr. Chairman, I desire to place in the record some data. You make cut nails and spikes, Mr. Rose?

Mr. ROSE. No, sir; nothing but wire nails.

Senator WILLIAMS. Wire nails and spikes. Do you make any tacks?

Mr. ROSE. No, sir.

Senator WILLIAMS. I wish to put in the following figures about these products, for cut nails. I find we exported to Europe, during the year 1909, \$208,647 worth; for 1910, \$223,742 worth; for 1911, \$273,736 worth, being an increase for each year. I find that we imported to the balance of North America during those years, from 1909, \$127,138 worth, which increased in 1910 to \$133,818 worth, which decreased in 1911 to \$123,665 worth. That for 1909 we exported to Australia, New Zealand, and Oceania, \$24,035 worth; in 1910, \$25,853 worth; in 1911, \$22,397 worth. That of wire nails, the sort this gentleman makes, we exported in 1909 to Europe \$233,860 worth; in 1910, \$182,371 worth; in 1911, \$206,732 worth. To the balance of North America we exported for 1909, \$198,863 worth; 1910, \$280,071 worth; 1911, \$244,776 worth. That to Asia we exported in 1909, of these same wire nails, \$651,255 worth; in 1910, \$982,015 worth; and in 1911, \$1,547,791 worth. We exported to Oceania in 1909, \$134,956 worth; in 1910, \$162,685 worth; and in 1911, \$241,032 worth.

STATEMENT OF MR. SEVERN P. KER, OF SHARON, PA.

The CHAIRMAN. The committee will now hear Mr. S. P. Ker, of Sharon, Pa.

Mr. KER. Mr. Chairman and Senators, due to insurmountable physical defects I appear before you without any brief or written statement to protest, in the name of our company and my fellow manufacturers of hoops, bands, and cotton ties, against the proposed Underwood bill. I represent primarily a small steel company, as steel companies go. We employ about 1,100 men. We have a producing capacity, rated capacity, in our steel house of 150,000 tons per annum. Our highest production has been, in the steel house, 108,000 tons per annum, because our plant being a comparatively new one, since rounding it out and completing its construction we have not had a business condition in this country which has permitted us to operate to its capacity.

We are smaller manufacturers of cotton ties, large manufacturers of hoops and bands. Under this proposed bill cotton ties and strips of iron or steel for baling purposes, described in great detail in the bill, are put upon the free list. They now enjoy a duty of \$6 per ton, three-tenths of a cent per pound.

The difference in the cost of manufacture, in my judgment, is not covered by the present tariff rate. Conditions abroad in the iron and steel business have been prosperous; in this country they have been depressed. The foreign maker has not found it profitable or interesting to him to undertake to invade our markets at this time with his products to any great extent, because he can get more for his products elsewhere.

Senator SIMMONS. Can you give us the amount of imports?

Mr. KER. The amount of imports last year was almost infinitesimal. The amount of imports for this particular purpose, trusting to my memory entirely, not being able to refer to data, were fifty-four thousand nine hundred and some pounds, at an average value, as stated by the estimates of the Department of Commerce and Labor, of 1 cent per pound. There is no mill in this country that can begin to produce at that price; nor do I believe that cotton ties abroad can be produced and put into this country at that price, unless there is undervaluation.

Senator SIMMONS. That was the invoice price?

Mr. KER. Yes, sir.

Senator SIMMONS. Can you give the price at which that same thing sells in the European market?

Mr. KER. I am sorry to say I can not. Practically all of the bale ties are used for cotton ties. There are some bale ties used in the Northwest for baling wool; some in the textile mills for baling the commoner grades of textile for shipment to market. But cotton ties will be practically all of the production. There were produced in this country last year—and I think I am within a thousand tons of the correct figure; I have not exact data, because it is too early in the year to have it—52,000 tons of cotton ties, on a crop of about 15,000,000 bales or a little over; or, in other words, it is usual to figure the requirements of cotton producers by stating that we used to consider the maximum producing capacity of 10,000,000 as requiring 45,000 tons of cotton ties. However, the American manufacturer does not make each year all of those cotton ties, even if he enjoys the entire market, because there is a percentage, probably 10 to 20 per cent, depending upon conditions, of reworked and pieced ties used. So that this year we would have produced sixty-odd thousand tons had we enjoyed the entire market; we really produced about 52,000 tons.

Cotton ties have been exceedingly low, so low that our own company, with thoroughly modern up-to-date mills on which cotton ties can be rolled, 8-inch, 9-inch, and 10-inch mills, the best types in the country, has not found it profitable to embark in the cotton-tie business to any extent. This year we made 105,000 bundles of cotton ties, while we have been industriously seeking orders for other commodities. The price of cotton ties has generally been exceedingly low. There is less excuse, in my judgment, for placing cotton ties on the free list than almost any other line of steel product; certainly any other in which we are interested as a company.

I believe in protection to the American workman and the American investor in an amount that is sufficient to hold to this market, the greatest market in the world, the American goods. I believe that we should protect our industries enough to prevent the dumping of foreign goods into our country whenever, in times of depression abroad, they attempted to run their mills full at the lowest cost of production—because that is the only way to produce cheaply—and to dump their surplus material here to the detriment of our own citizens. We have built up a standard of living in America that is all American. We pay our common laborers the highest price that has been paid since I have been in this business, and I have been in the business 27 years. We are paying \$1.70 for common labor; we pay from that up to \$12 and \$13 a day. Our laborers live on a higher plane

than those in Europe, and if it is desirable to bring our people to the European standard of living, I do not understand the purposes of government. I do not believe that is the intention of either those who advocate this bill or of any others. It would mean a revolution in labor. We could not possibly get our labor down to the European standard unless we would have the revolution.

The plant I represent has been built in the last 11 years. It is modern in every way. We begin our manufacture with pig iron, melting steel, and raw products of that character. We do not own ore, we do not own railroads or steamships, nor do we own any of the raw materials in the ground. The companies enjoying those advantages can manufacture more cheaply than we can. But we, being a small company, think we hold our overhead down to a considerably less amount than theirs.

We protest against the Underwood bill because we believe that with the reduction of duty on barrel hoops and hoops of that general description from \$6 per ton, for the standard hoop, to 15 per cent ad valorem, we would be excluded from the coast markets and the markets accessible to the coast whenever the conditions of trade abroad and in this country invite the European to dump his surplus product on our shores. The present tariff on hoops and bands under the Payne bill in 1910 was equivalent to an ad valorem duty of 29 per cent. It is proposed to reduce that to 15 per cent. On bands under the Dingley bill the specific duty represented an ad valorem equivalent of 60.32 per cent. In the Payne bill in 1910 the specific duty would represent an equivalent ad valorem of 36.27 per cent; and in 1911 of 35 per cent. It is now proposed to make those goods 15 per cent ad valorem, with all of the tendency, which we know is taken advantage of, of the foreign producer to underbill his goods and evade a part of the duty. It gave us a protection this last year, based only on the invoiced value, of \$3 a ton. There is not a mill in America that would manufacture these goods at that price. There is but one way, in my judgment, by which we could arrive at that condition of manufacturing at such prices, and that would be to pay our operatives the same general scale of wages as is paid abroad. Against that condition we most earnestly protest.

Senator WILLIAMS. You are engaged in making hoops and bands?

Mr. KER. Hoops and bands and cotton ties exclusively. We manufacture from three-eighths inch to 15 inches wide, in all gauges, hot rolled.

Senator WILLIAMS. I find here, if the United States Government reports are correct, that we have been exporting annually for quite a long while hoops, bands, and scroll iron.

Mr. KER. Yes, sir.

Senator WILLIAMS. Amongst other countries to which we have exported is British India, where they grow cotton.

Mr. KER. Yes, sir.

Senator WILLIAMS. So I suppose that must have been cotton ties which they were getting?

Mr. KER. To a very slight degree only, probably a few.

Senator WILLIAMS. I just imagined that, because we export to them very largely in comparison with other Asiatic countries. I find also this, that we export very largely to Egypt in proportion to our exports to other countries in Africa.

Mr. KER. More largely than to any other, so far as cotton ties are concerned.

Senator WILLIAMS. I find under this heading we exported to North America generally; none of that could very well have been cotton ties, unless a few went to Mexico?

Mr. KER. Mostly cut hoops.

Senator WILLIAMS. But of hoops and bands of other sorts, for 1909, \$156,074 worth; for 1910, \$210,796 worth. And to Asia, all told, some \$20,667 worth, of which \$13,251 worth was to British India. What would be the 15 per cent duty on cotton ties reduced to a tonnage statement at prices to-day?

Mr. KER. The cotton ties are not subject to a 15 per cent duty; Senator, so I have not taken the trouble to figure that out. Cotton ties are put on the free list.

Senator WILLIAMS. They are put on the free list.

Mr. KER. Yes.

Senator WILLIAMS. But how about hoops and bands?

Mr. KER. Based on the present American selling prices?

Senator WILLIAMS. Yes.

Mr. KER. Standard cooperage hoops are being sold to-day at \$1.25 for base sizes at Pittsburgh.

Senator WILLIAMS. \$1.25 a what?

Mr. KER. A dollar and a quarter a hundred pounds; 1½ cents per pound is the base price.

Senator WILLIAMS. \$25, in round numbers?

Mr. KER. \$25 per net ton; so that 15 per cent would be about \$3.75, based on the American value. But it is not based on the American value but on the import value.

Senator WILLIAMS. I do not want it based on the American value. We export some of these goods?

Mr. KER. Yes, sir.

Senator WILLIAMS. But you say that the imports are infinitesimal.

Mr. KER. I think they were on cotton ties and bale ties. I am not so sure what we do no hoops and that class; but I think the same thing would be true as to them.

Senator WILLIAMS. Then why would you imagine that the foreign value, laid down at Galveston, New Orleans, or New York, would be any less than the American value the same day, because it would seem that if it were we would be importing some.

Mr. KER. Largely because the American values to-day are phenomenally low; there is not very much imported, largely because the European manufacturer is to-day enjoying a more profitable market in other parts of the world on these particular commodities and is not making a very serious effort to invade our own for that very reason.

Senator WILLIAMS. For the same reason our exports ought to increase to him during that sort of a year, ought they not?

Mr. KER. Yes, sir; but we export from this country, as I understand it—

Senator WILLIAMS. I ask that because it seemed not to have taken place.

Mr. KER. I think it has. Have not the exports increased in recent years? They increased last year, I think, to the highest point in the history of our country because of the depressed conditions in this country.

Senator WILLIAMS. They increased last year in your product; yes.

Mr. KER. In all steel products, practically.

Senator WILLIAMS. No; I read some here a moment ago that did not.

Mr. KER. We exported last year practically 2,000,000 tons because of the depressed condition of our own market and the high values prevailing abroad, relatively.

Senator WILLIAMS. I want to read these exports in pounds. We exported to North America, in 1908, 7,146,874 pounds.

Mr. KER. That is about three thousand and some net tons.

Senator WILLIAMS. And in 1909 that went down to 6,384,736 pounds.

Mr. KER. Three thousand one hundred and fifty tons.

Senator WILLIAMS. And in 1910 it went up to 9,633,244 pounds.

Mr. KER. Four thousand eight hundred tons.

Senator WILLIAMS. That is to the balance of North America. In 1908 we exported to South America 3,956,647 pounds.

Mr. KER. Nearly 2,000 tons. Those figures are not only a very small proportion of our production in this country, but in the South American case particularly I would like to direct your attention—

Senator WILLIAMS. I am not after that now; I am after this.

Mr. KER. I would like to be permitted to make a statement, if I might.

Senator WILLIAMS. The exportation decreased in 1909 to 318,219 pounds, and in 1910 to 579,909 pounds, being a decrease both in 1909 and 1910 from the figures of 1908 and from the figures of 1907 and from the figures of 1906.

Mr. KER. Yes, sir. I would like to make a statement in reference to the exportation of hoops, particularly. Practically all hoops, so far as my knowledge goes of the exportation of hoops from this country, exported to South America, are not exported as hoops, but are exported as shucks; that is, staves and heads made up in sets, and the hoops necessary for the erection of those packages or barrels in South American ports included with them as one shipment. We can not—and, so far as I know, do not—ship any cut hoops to South America—to the Argentine Republic, where they go, largely—as cut hoops; but only ship them in conjunction with heads and staves, and shipped as shucks.

Senator WILLIAMS. This is put under the heading "Hoops, bands, and scrolls."

Mr. KER. They are hoops, and we ship them as hoops, but in conjunction with the other commodities which take them along into those markets. We export some material to Canada, but very little. Our customers can buy that material, and every time we sell them they show us they can buy it very much more economically in England. The reason they do not do so is because there is entirely a different kind of hoop required for a rosin barrel, a sugar barrel, a spirit barrel, a sirup barrel, a pickle or a kraut barrel, or a vinegar barrel, or a whisky barrel, or a beer barrel. The small cooper in Canada can not carry a sufficient assortment of barrel-hoops to enable him to make up his packages promptly enough to satisfy his customers.

Senator WILLIAMS. So that fact largely protects you there?

Mr. KER. No, sir; it would not protect us in our large American factories, upon which we depend for our business.

Senator WILLIAMS. It would protect you there, would it not?

Mr. KER. No, sir.

Senator WILLIAMS. I thought you said that was the reason you could export there.

Mr. KER. To the small manufacturer in Canada. It would not protect us in America, with our large manufactures of cooperage, for the reason that we manufacture cooperage in such large quantities that they carry those large stocks as a protection against transportation interference and the incapacity of mills to make prompt shipments. For instance, a cooper in the city of Louisville tells me he makes it a habit to carry from three to four thousand tons of cut hoops in stock, his annual consumption being about 5,000 tons.

Senator WILLIAMS. Can you explain this difference in methods of business between Canada and the United States? These were hoops for whisky barrels, were they not?

Mr. KER. Our particular hoops were for oil and whisky, principally oil. The difference is in the volume of business.

Senator WILLIAMS. Do they not make in Canada rye and various sorts of whisky?

Mr. KER. Some very excellent rye; I do not know about other whiskies.

Senator WILLIAMS. If it pays one to keep the hoops in stock, why does it not pay the other?

Mr. KER. Because their output is so small and covers such a varied line that it would be impossible, practically, for them to do so. They are not large cooperage manufacturers; they are small coopers. Under the influences of the protective tariff as we have it we have built our industry up until we are the greatest manufacturing nation on earth, and in our lines we make more iron and steel than England and Germany combined; and under the influence of the domestic competition we sell those commodities to our own people at exceedingly low prices most of the time. When the demand is so great the mills can not supply it, as was the case during the first eight months of 1907, we get a larger profit. But we average, in 10 years, 8 years of the time selling to our American people at exceedingly low prices because of American competition.

Senator WILLIAMS. The American competition has brought the price down to the American consumer?

Mr. KER. Yes, sir.

Senator WILLIAMS. And yet, notwithstanding this fierce competition at home, you think that if one of these products were put on the free list and the other reduced the price would be driven still lower down?

Mr. KER. It would, or we would surrender the greatest market in the world to the foreign producers; one of the two would be inevitable.

Senator WILLIAMS. And that is notwithstanding the fact that our imports of these things are now infinitesimal and our exports are such as I have read?

Mr. KER. Notwithstanding those facts, in my judgment.

Senator SIMMONS. You have stated that if the duty is taken off your product the effect would be to reduce the labor engaged in producing that product to the European standard rate?

Mr. KER. Yes, sir.

Senator SIMMONS. And other gentlemen who have come here and spoken for their industries have said about the same thing?

Mr. KER. Yes, sir.

Senator SIMMONS. As I remember it, considerably over one-third of all the importations coming into this country now are of things that are upon the free list, and most of those things are produced in this country. Do you mean to say that the laborers producing those things in this country have, as a result of the product being put on the free list, been reduced to the standard of wages in Europe?

Mr. KER. I think, Senator, if you will look into the one-third of exports that come into this country that are now on the free list——

Senator SIMMONS. More than one-third, I said.

Mr. KER. More than one-third, whatever the figures may be——

Senator SIMMONS. Nearly one-half.

Mr. KER. Or one-half, or whatever the figures may be, I think you will find that a very large percentage of those commodities are luxuries or things that we are not producing competitively by labor.

Senator SIMMONS. On the contrary, will you not find something near 75 per cent of the raw materials of the manufacturers of this country?

Mr. KER. Are coming in on the free list?

Senator SIMMONS. Yes.

Mr. KER. I would be very much surprised if that was anything like correct. I know only my own business, and I know it would be radically wrong in connection with our own business; I do not know others.

Senator SIMMONS. Suppose there is 25 per cent, or 50 per cent, of those things that are not luxuries produced in this country; would you say that the effect of putting those things on the free list would be to reduce the wages of those who produce them to European standards?

Mr. KER. Just as inevitably as the night follows the day, in my judgment.

Senator SIMMONS. Then, as a matter of fact, we have in this country two standards of wage?

Mr. KER. No, sir.

Senator SIMMONS. One standard is the European standard and the other is the American standard.

Mr. KER. I think not.

Senator SIMMONS. The man who is producing things that come in on the free list is now on the European standard.

Mr. KER. I think not.

Senator SIMMONS. While the man who is producing things on the dutiable list is on a different standard.

Mr. KER. I think not.

Senator SIMMONS. Is not that a fact?

Mr. KER. No, sir; I do not think so.

Senator SMOOT. To what items do you refer, Senator?

Senator SIMMONS. I refer to all the importations.

Senator SMOOT. To what items on the free list do you refer?

Senator SIMMONS. I had no particular item in my mind.

Mr. KER. I think the premise is wrong, Senator.

Senator SIMMONS. That would be a matter to be thrashed out hereafter.

Mr. KER. Yes, sir; I think so. I think it would be found that 50 per cent of our imports of goods that are manufactured to any extent in America are not now on the free list.

Senator SIMMONS. What I stated as a fact, as I now understand it, was that considerably more than one-third of all the importations to this country to-day are on the free list.

Mr. KER. Yes, sir.

Senator SIMMONS. Nearly one-half.

Mr. KER. Yes, sir.

Senator SIMMONS. And I stated that it is my opinion, and I ask you to confirm or to refute it, that more than half of that amount is raw material of the manufacturer.

Mr. KER. I am unable to agree with that proposition or to successfully refute it.

Senator SMOOT. It is true, is it not, that about one-half of all the importations into this country are on the free list?

Mr. KER. I believe that is so.

Senator SMOOT. But of that one-half there is very little on the free list that is made in this country?

Mr. KER. I should say it would be so infinitesimal it would not amount to anything at all. If that is not true, our American laborers and our American factories would not be employed; we could not be employed.

Senator SMOOT. I know that to be the case.

Senator SIMMONS. I am equally as convinced that what I have stated is the case. But I do not want to controvert the Senator now. I have the figures in my room. I think, that will bear me out.

Mr. KER. If it were true that the commodities I am trying to save from reduction to European standards, by avoiding having them put on the free list—

Senator SIMMONS. I am not talking so much about manufactured products.

Mr. KER. That is our interest here—to protect the American manufacturer—and I am not capable of discussing the other part of it, because I am too busy in my line.

STATEMENT OF MR. SAMUEL V. S. MUZZY, OF PATERSON, N. J., REPRESENTING MUZZY BROS.

The CHAIRMAN. You reside in Paterson, N. J.?

Mr. MUZZY. I reside in Paterson, N. J.

The CHAIRMAN. Whom do you represent?

Mr. MUZZY. Muzzy Bros.

The CHAIRMAN. In what business are they engaged?

Mr. MUZZY. We are engaged in selling manufacturers' supplies; not manufacturing, but jobbing, wholesaling.

The CHAIRMAN. Do they themselves manufacture?

Mr. MUZZY. No, sir.

The CHAIRMAN. They are importers?

Mr. MUZZY. We are importers.

Senator SIMMONS. What kind of supplies?

Mr. MUZZY. Manufacturers' supplies.

The CHAIRMAN. What do you mean by manufacturers' supplies?
Mr. MUZZY. We mean articles sold to the silk mills, principally, and the cotton mills.

The CHAIRMAN. What kind of articles?

Mr. MUZZY. We are selling now shuttles and heddles, principally, and other minor articles that come in connection with them.

The CHAIRMAN. Where are those articles chiefly imported from?

Mr. MUZZY. Shuttles, or heddles? The heddles are what I am speaking about now. The heddles are chiefly imported from France, the ones we sell; and they are imported also from Switzerland and Germany. The heddles we sell and do a large business in are imported from France.

The CHAIRMAN. Are these American concerns in France and other countries that you represent?

Mr. MUZZY. No; they are foreign concerns.

The CHAIRMAN. You may proceed, Mr. Muzzy.

Mr. MUZZY. The business I represent is very small, and I thank you, Mr. Chairman and Senators, for the courtesy of allowing me to say anything. It is not a business that will involve over \$500,000—all the manufacturers in America and all the importations. I think there are about 250,000,000 of these heddles manufactured and imported into this country.

Senator SMOOT. That is, you mean, of all kinds?

Mr. MUZZY. Of all kinds. [Producing several samples.] There is the heddle that is made in France, there is the heddle that is made in Germany and in America, and there is the heddle that is made in Switzerland and America. There is the style of heddle that a great many of the silk people use at the present time. That is made of cotton and is made in France and Germany, principally in France. The idea of using this heddle by the silk people is because they can have better results—they will last longer. While there is a difference of opinion, theoretically, yet practically the up-to-date silk manufacturer wants the steel heddle. The cotton mills of Massachusetts, Rhode Island, and Connecticut are using now a heddle of that kind [indicating], which primarily is made in Germany. Now it is made in America by two or three manufacturers in those States. This heddle is made by an automatic machine.

Senator SIMMONS. What is the present duty on that?

Mr. MUZZY. The present duty on this, under the Payne bill, is 40 per cent, and 25 cents per thousand specific.

Senator SIMMONS. What duty does this bill carry?

Mr. MUZZY. This bill calls for a duty of 25 per cent. It may seem strange to you gentlemen that I should be here, as an importer, asking for a higher duty than in the Underwood bill. Yet we are prospective manufacturers, and I want to show to you that the duty at the present time is entirely too high. I can show from figures I have, and they are accurate, because I have just returned from a trip abroad, and studied this thing up thoroughly, from a to z. I know the cost of the wire, the cost of labor over there, the cost of the labor here, of producing, and I can show that the present rate of duty is too large. I am not responsible at all for the rate of duty inserted in this Underwood bill. I think that is going to the other extreme. I think an ideal protection is one that will protect and produce a

sufficient revenue at the same time. I think that is what everybody is after.

The CHAIRMAN. Why do you think the Underwood duty is too low, Mr. Muzzy?

Mr. MUZZY. Because it is going along the danger line for prospective manufacturers; although I can show to you that it can be manufactured under the Underwood duty. But, for the sake of doing thorough justice to protection, it seems to me that the duty under the Dingley bill, which was 40 per cent, and at that time another 40 per cent was put on by adding 25 cents a thousand to heddles, was unnecessary, and was unjust, and it was simply, it seems to me, in the interest of the manufacturers solely.

The CHAIRMAN. What duty would you suggest?

Mr. MUZZY. Forty per cent.

Senator SMOOT. That was the 10-inch?

Mr. MUZZY. Ten and a half inch heddle.

Senator SMOOT. That is made in Germany?

Mr. MUZZY. That is made here now.

Senator SMOOT. We make one similar to it. You have been over there, and that heddle is sold abroad, is it not, at about 96 cents per 1,000?

Mr. MUZZY. That heddle is sold abroad at about 2 marks—75.

Senator SMOOT. That is for the American market. The American market price is 68 cents for that heddle in Germany?

Mr. MUZZY. Yes; or about that.

Senator SMOOT. I know it is 68.

Mr. MUZZY. That is about it, 2 marks—75.

Senator SMOOT. But that identical heddle is sold to other portions of the foreign countries at 96 cents.

Mr. MUZZY. Possibly.

Senator SMOOT. I have the invoices to show that is absolutely the case.

Mr. MUZZY. Possibly.

Senator SMOOT. And under the American market price of 68 cents, 25 per cent on the 68 cents would be only about 17 cents.

Mr. MUZZY. Yes.

Senator SMOOT. Seventeen cents; that would make it 85 cents.

Mr. MUZZY. Eighty-five cents.

Senator SMOOT. If you thought that that heddle could be imported into this country for 85 cents a thousand, you would not go into the manufacturing of it, would you, under present conditions in the United States?

Mr. MUZZY. I do not think I would, no; that is one reason why I favor a larger duty. I think it is too near the danger line. I am here a thorough protectionist, I want to say; I am a strong Republican and protectionist. But I can see the injustice of an excessive tariff; not only the limitation of business, but the injustice, and the general sentiment that is abroad.

Senator SIMMONS. What did I understand you to say that sold at in the German market?

Mr. MUZZY. I do not know. The Senator [Senator Smoot] says 96 cents. It sells for the American in the German market at about 68 cents; 2 marks—75.

Senator SIMMONS. And what does it sell for in this market?

Mr. MUZZY. You mean from the manufacturer?

Senator SIMMONS. Yes.

Mr. MUZZY. They get various prices; about \$1.40, I think, now.

Senator SMOOT. One dollar and forty-five cents.

Mr. MUZZY. Yes, something like that. We do not manufacture them, but that is about what they sell them at.

Senator SIMMONS. You mean they are not manufactured in this country?

Mr. MUZZY. Oh, yes; but we do not manufacture them; we are importers. I have made an estimate that in a plant with nine machines, six soldering machines, with an investment of \$10,000, it costs 57 cents per thousand to manufacture those heddles in this country.

Senator SIMMONS. And they sell for \$1.40?

Mr. MUZZY. For \$1.40.

Senator SIMMONS. Is that not an exorbitant profit to make upon the American consumer?

Mr. MUZZY. Sure.

Senator SMOOT. I would like to ask you where you got those figures of the manufacturing cost?

Mr. MUZZY. I computed it from the information I got abroad, the cost of the machines.

Senator SMOOT. What it cost abroad?

Mr. MUZZY. No; the cost of machines and the production each day. I will read on.

Senator SMOOT. Maybe we misunderstand each other. Senator Simmons asked you what it would cost to make that heddle in America, and you said 57 cents a thousand.

Mr. MUZZY. Yes.

Senator SIMMONS. And sell them for \$1.42?

Mr. MUZZY. I will give you the result of my investigations. Thirty per cent of this 57 cents is labor; 50 per cent is material. These machines will make from 12,000 to 14,000 a day, and nine machines require three men, and the six soldering machines require six boys. The wages of those three men we will put at \$2.50 a day apiece, which would be \$7.50 a day; the wages of the boys we will put at \$1.50 a day, which is a good wage, which would be \$9 a day—or \$16.50 a day for the wages. The material over here costs only 23 cents—or 21½ cents. I say 23, because I am covering it with this flat wire. This material costs 23 cents a pound. In Europe it costs 32 cents a pound. In other words, the American manufacturer of steel, the United States Steel Co., can make this material for the manufacturer at 21½ cents a pound, and if I buy the stuff in Europe I would pay Smith, of Halifax, 32 cents a pound.

Senator SMOOT. Why do not the Europeans buy the steel over here, then?

Mr. MUZZY. They should; and the American steel manufacturers are able to make it lower than they do abroad.

Senator SIMMONS. If that costs only 57 cents here, and is selling for 68 cents in Europe, could it not be sold here at the same price at which it sells in Europe and yield the American manufacturer a reasonable profit?

Mr. MUZZY. No, I do not think so.

Senator SIMMONS. That would be 11 cents.

Senator LODGE. That 57 cents does not include the overhead charges.

Mr. MUZZY. I suppose there is something I have not included. I have included interest on the investment. I am taking a plant of only nine machines. I thought probably by taking a plant of nine machines I would arrive at a cost that would be very nearly fair. A larger plant would cost less for operation. This plant would cost about \$10,000. The interest on that money is not large, but I have reckoned it in. The rent would be about \$500 a year, a small rent. Nine machines would require only three men, and it would require six boys to run the other machines. Of course, it requires a superintendent; but any one of these men could be the superintendent.

Senator LODGE. And still run the machine?

Mr. MUZZY. Yes; the machines are automatic, and do not require constant attention. The material costs 23 cents a pound, and each thousand heddles weighs a pound and a quarter. That would be about 29 cents a thousand for the material, which is about 50 per cent of the cost. The solder, of course, we have allowed for, and the insurance and power. I have not inquired of the electric people what the power would cost, but it would cost about \$120 a year. It takes half a horsepower to run each machine. I have put down \$200. But in all these figures I do not know that I have omitted anything; although I may have omitted something. I have allowed \$1,500 extra. But I have figured on a plant to turn out 30,000,000 heddles each year, and it costs 57 cents. I may be out of the way a few cents, but not much. What I want to get at is this, it costs \$1.15 to import that heddle to-day from Germany, based on this cost, and there is about 80 per cent, 40 per cent and 25 cents, with the charges of 4 or 5 cents a thousand, making the cost about \$1.15. What I ask of this committee is to entertain the proposition of putting the duty down where it would cost 90 cents. We do not import them, do not intend to, because we can make them cheaper here. But it affects us on this French heddle, which is a heddle that can not be made here. There are no machines here to make it. The French manufacturers are the only ones who know about it. The percentage of labor is 60 per cent of the cost, because it requires one man to each machine, and the high duty on this, protecting the American manufacturer, costs us, their importers, an unjustly high duty on this [indicating].

Senator SIMMONS. If you will pardon me just one minute, you have said that under the present rate of duty it would cost \$1.15 to import those things into this country.

Mr. MUZZY. Yes, sir.

Senator SIMMONS. Could you tell the committee how much it would cost under the rate of duty proposed in the Underwood bill?

Mr. MUZZY. Yes, sir. I should think it would cost 83 cents, besides the charges, which would be, I think, 5 cents—terminal charges, freight and all that—making about 88 cents.

Senator SIMMONS. I want to ask you this: If it costs only 57 cents to produce a thousand of them, and under the Underwood bill they could not be imported here for less than 88 cents, do you not think the difference between 57 cents and 88 cents would allow a reasonable profit to the American producer?

Mr. MUZZY. No; I do not, Senator. I am enough of a protectionist to say it is not enough margin.

Senator SIMMONS. That is 31 cents a thousand profit.

Senator SMOOT. Senator, you do not mean to say that with just the arguments Mr. Muzzy has put in here as to the cost of the manufacture of heddles, without taking into consideration the loss that may come in the manufacturing of heddles, and a thousand other things, you believe it will cost only 57 cents?

Senator SIMMONS. I only know he said that was the cost.

Mr. MUZZY. I said it possibly might be out a few cents.

Senator SIMMONS. I assumed he meant all the costs incident to the manufacture of that heddle.

Mr. MUZZY. We do not manufacture them, Senator; but I am taking my information from what I gathered up on the other side and over here and putting it together. These machines are made on the other side, most of them—these automatic machines—and the production of each machine is known, and the cost of the wire is known.

Senator SIMMONS. I am not vouching at all for your statement; I am just taking your statement as you made it.

Mr. MUZZY. Even on my statement I do not think the margin is sufficient. It is not a staple article. It is only consumed and used by a certain number. As I say, there is not a half million dollars' worth sold in the whole country, both imports and manufactures. It does not affect the theory of protection or free trade, or anything at all, one way or the other.

I want to thank you gentlemen for allowing me to come here and take up your time.

Senator SMOOT. Is it not true that the price of heddles to-day is only about two-thirds of what it was eight years ago?

Mr. MUZZY. That I do not know. I do not think we were in the business eight years ago; but I think they are a little lower.

Senator SMOOT. I judge from the figures I have that they are a little lower; that is, it is just a little under two-thirds of what it was eight years ago.

Mr. MUZZY. They were a new industry at that time. There is room for a reduction in the tariff; but, as I say, I do not want to get down to a free-trade basis. We are going to manufacture, and we are perfectly willing to manufacture; but we think a 25 per cent protection would not be quite enough. And I want to say this, that the 25 cents a thousand put on these heddles by the Payne bill, of course, we charged up to the silk manufacturer. We did not pay it: we simply paid it to the Government and charged it over to the silk manufacturer. Therefore, in protecting two or three little plants in the country that employ less than 100 men in the aggregate, you lose sight of the fact that a large number of silk manufacturers, who treat this article as a base product, as it were—it is part of their machinery, part of the thing they have to use and buy all the time—are paying the 25 cents a thousand extra. So, in the theory of protection, it seems to me we ought to look at it from that viewpoint.

Senator SMOOT. It would not amount to much in a year?

Mr. MUZZY. It would not amount to much.

Senator SIMMONS. That last article is manufactured in this country?

Mr. MUZZY. No, in France; it can not be made here. There are only four manufacturers who make it, and they own the patents and make all the machines, and you can not get them. It is not made at a profit here at all; nobody has ever attempted to manufacture it.

Senator SIMMONS. The duty on that, then, is a pure revenue?

Mr. MUZZY. Yes, sir; that is a matter of revenue. We think 40 per cent revenue is enough for the Government.

Senator SMOOT. If you commence manufacture in this country—

Mr. MUZZY. We can not manufacture this.

Senator SMOOT. Why; on account of the machinery?

Mr. MUZZY. Because we have not any machine to make it.

Senator SMOOT. You can get them, can you not?

Mr. MUZZY. No; they will not sell any machines. I presume they would at a prohibitive cost or on a royalty basis; but the silk manufacturers would not use them. If the silk manufacturer gets out of these silk heddles—I term these “silk heddles” because they are used solely by the silk mills—if the silk manufacturer gets out of them, he is compelled to use these [indicating], because there is just about 40 per cent duty on those by the Government.

Senator SMOOT. He would lose more by using those than he would if double the price of the steels were charged him?

Mr. MUZZY. No; he would not pay double.

Senator SMOOT. For instance, you take and draw the silk in through the heddles; a man can draw in two in a steel heddle—or a woman, as the case may be—as it is not possible to draw them in in a silk heddle.

Mr. MUZZY. Still, lots of people use them now.

Senator SMOOT. Only where there is a break and they do not want to stop the loom, and they can tie those in where they can not tie the steel.

Mr. MUZZY. No; we sell a great many of these in preference to the steel.

Senator SMOOT. You sell them only where they are weaving silk handkerchiefs in little bits of squares.

Mr. MUZZY. We use them for original heddles.

Senator SMOOT. Not for cloth.

Mr. MUZZY. No; we do not sell any woolen heddles at all.

That is all, gentlemen. I thank you very much for your courtesy.

The following paper was submitted by Mr. C. D. Dyer, of Pittsburgh, Pa., representing W. P. Snyder & Co.:

The Lake Superior iron-ore industry will not take up the time of the committee in making any special protest against the effect of reducing the tariff rate on iron from 15 cents per ton to nothing, except as it indicates a tendency to keep the market on the Atlantic seaboard open for foreign ore, to the exclusion of our home product. Generally speaking, the United States Steel Corporation produces and uses about one-half of the production of iron ore from the Lake Superior region, the balance being for the use of what we term the independent iron and steel industry.

Shipments of ore from the Lake Superior region during the year 1911 were 35,000,000 tons, and in 1910 and 1909 they were about equal, aggregating about 42,000,000 tons in each year, and the capacity of the region, measured by its facilities for transporting ore down the Lakes, is about 50,000,000 tons.

During 1911, 2,000,000 tons of foreign ore entered the United States—revenue to the Government from which was less than \$300,000.

Practically no Lake Superior ore has been sold in what we term the eastern market for three years and if the enlargement of the opportunities of the industry is a matter of concern, foreign iron ore should be subject to a tariff rate of at least 50 cents per ton, which is about 1 cent per unit, as ores are measured in these days. Under such a condition, it would still be necessary for the Lake Superior ore producers, in order to do business in the East, to make a very considerable concession in the ideas from which they are accustomed to figure the values of their ores.

To indicate the effect upon the general business of the country, as illustrated by the 2,000,000 tons of foreign ore received during the year 1911, and which produced to the Government something less than \$300,000 in the way of revenue, we have made a calculation showing that had the equivalent of this ore been produced and transported from

the Lake Superior region, over \$3,000,000 would have been paid directly in wages to American workmen engaged in mining, manufacture, transportation, and other pursuits and the national balance of trade would have gained over \$6,000,000 in our favor.

It may be argued, and it is probably true, that a 50-cent tariff rate would have the effect of increasing the cost of the ore mixtures at eastern furnaces, but if so, such increase would about equal the difference between the cost of production at home and abroad, as is indicated by the market prices of the two products, and the effect would be to at least bring the Lake Superior producer and the eastern furnacemen together to negotiate. The tonnage involved would probably have a large influence in inducing the Lake Superior producer to make some concession, and perhaps the railroads to hold out some inducements to secure the business, as the present tariff rates of the railroads from Lake Erie ports to eastern points are merely paper rates and produce no revenue to speak of.

If we are to keep in mind in any province of business the idea of protection of American industries, the cause of American iron ore presents very convincing arguments in favor of a protective rate and we think that 50 cents per ton is the least rate which would have any effect in that direction.

If the committee please, I will submit the following from one of the largest independent producers of iron ore as a view of the subject from his angle:

The status of the iron-ore situation as far as Lake Superior is concerned is as follows: Since the panic of 1907, following the lead of the Steel Corporation not only at the mines but at our furnaces, while we have curtailed production and shut down here and there, in no instance has the high rate of wages that has been in existence been disturbed, neither at the mines, on the railroads, on the vessels, or at the furnaces. As a matter of fact the railroads have in the meantime advanced their labor. Roughly, 75 to 80 per cent of the cost of ore is represented by labor, either at the mines, the railroads, the lakes, or with the supply companies who furnish supplies. We have thought once or twice that we would have to liquidate labor and have been holding on with the hope of better things, until business would get over the dead center. There is no apparent hope for this in the immediate future, and, with drastic tariff legislation, labor liquidation will be forced upon us whether we wish to consider it or not. The tariff as far as ore, iron, and steel is concerned, is no longer a protection to the industry and not even on the present rates a protection to the labor. If we are going forward on a protective basis, we should at least have sufficient protection to protect the labor, without asking for protection possibly on our profits, and instead of being a protective tariff for the industry, it should be called a protective tariff for labor.

Under the present tariff the rate on ore is too low, as well as pig iron. We have lost the Pacific coast to the foreigners in almost all departments, and in 1911 there was about 2,000,000 tons of ore brought into the eastern market from foreign countries. Assuming this ore to be worth in the neighborhood of eight and a half million dollars, there was displaced between five and one half and six million dollars' worth of labor to the miners, railroad employees, vessel employees, and others in the Lake Superior iron-ore industry. In addition to this our furnaces on the eastern seaboard paid to foreign miners and vessel owners eight and one-half million dollars, which went out of the country. In prosperous times, even with the tariff of 40 cents a ton, foreign ore came into the country, but only to the extent that our labor could not produce it. Since the passage of the Payne-Aldrich bill we have, as above mentioned, lost this business that we enjoyed in the East. The States of Minnesota and Michigan have imposed burdens in the way of taxes, which in many cases will run as high as 10 cents a ton on the ore produced from certain mining properties.

The Canadian Government at the present time is proposing to pay their manufacturers a bounty of a dollar a ton on pig iron, and where the pig iron is made from Canadian ore an additional bounty of about 80 cents a ton, which is bound to stimulate production of iron ore in Canada to a point where there will be a very considerable surplus to be shipped to this country. Every ton of ore and every ton of pig iron imported displaces 3 tons of ore which could have been mined by American miners. Some of the foreign ores are mined by workmen receiving 40 cents a day; this is true in Spain. The miners of Lake Superior in underground work receive \$2.65 per day or more, according to the nature of their work. Therefore we should not only protest strongly against the Underwood bill, but there should be a restoration of the duties on iron ore prior to the Payne-Aldrich bill, and also on pig iron, in my opinion, as its effect will simply be an economic one. Internal competition will keep the price of iron and ore within reason, and in prosperous times there will be both pig iron and ore imported. In times of depression, however, I feel that our own labor should have every consideration and be furnished all the work possible, to the exclusion of giving the business to foreigners.

Thereupon, at 1 o'clock p. m., the committee adjourned until tomorrow, Friday, February 23, 1912, at 10 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 13

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

FRIDAY, FEBRUARY 23, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

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W. B. STEWART, *Assistant Clerk.*

FRIDAY, FEBRUARY 23, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), Cullom, Lodge, McCumber, Smoot, Gallinger, Clark, Heyburn, Simmons, Kern, and Johnson.

**STATEMENT OF MR. JOHN C. SCHMIDT, OF PITTSBURGH, PA.,
REPRESENTING THE STANDARD CHAIN CO.**

The CHAIRMAN. Please proceed in your own way, Mr. Schmidt, and present your views on this metal bill.

Mr. SCHMIDT. I want to say, Senator, that I have not prepared much of a brief in this matter. I discussed the subject last evening with several other chain manufacturers; but I represent only the Standard Chain Co., of which I am the president.

We are manufacturers of all grades and sizes of welded chain. While the variety of chain is nearly infinite, it falls naturally into three classes:

First. Handmade chain, in which only the highest grade workmen are employed.

Second. Machine-made, or scarf-link coil chain.

Third. Polished chain, such as trace chain and the lighter sizes of coil, halter, and machine chain.

These three divisions refer only to welded chain. In addition there is considerable quantity of chain made on automatic machines, which is known as weldless chain.

In the industry there are 32 plants manufacturing chain. These plants are located in eight different States, and are distributed as follows: Pennsylvania, 14; Ohio, 7; Missouri, 1; Illinois, 1; New Jersey, 2; New York, 3; Indiana, 2; Connecticut, 1.

The average cost of producing chain of all sizes and grades shows that—

	Per cent.
Material (including fuel) represents.....	47.46
Skilled and unskilled labor represents.....	36.05
All other factory expenses (including administration).....	16.49
	100.00

These percentages are based upon actual production, and therefore give a proper average. If the light sizes only were taken into consideration, they would show that at least 85 per cent, or possibly 90 per cent, of the total cost of producing this light chain is in labor. Under the present classification and for years past there has been a specific duty on chain. In place of an ad valorem (although the specific duty under the present tariff is supplemented by an ad valorem duty of not less than 45 per cent) I would strongly recommend the retention of the specific duty, as often it is a matter of great difficulty to distinguish by eyesight the various grades of chain made by various manufacturers.

The hand-made labor scale has been advanced approximately 33 per cent in the past 10 or 12 years, the advances ranging from 22 per cent to 46 per cent. The last advance was made in March, 1907, since

which date there has been no recession. The machine-made labor cost has advanced 19 per cent in the past 10 years. The difference in these advances is partially explained by the statement that the process of manufacturing hand-made chain shows no change whatever; whereas in the manufacture of scarf-link or machine-made chain, the appliances for heating and forging have been appreciably improved, so that the output has been increased. You will understand that the direct labor employed in the manufacture of chain is paid at a scale of piecework prices.

I have further data as to the percentage of material and labor in the different sizes of proof or common coil chains showing, on 1-inch chain, 26.9 per cent as the proportion of labor of the total cost, up to 61 per cent in three-sixteenth-coil chain.

[The figures referred to will be found at the end of Mr. Schmidt's statement.]

The CHAIRMAN. Mr. Schmidt, how many chain concerns are there in the country?

Mr. SCHMIDT. Thirty-two plants, which include about 25 concerns.

The CHAIRMAN. Approximately how many men are employed in the industry?

Mr. SCHMIDT. I should judge about 5,000.

The CHAIRMAN. In what States are these establishments chiefly located?

Mr. SCHMIDT. Fourteen in Pennsylvania, seven in Ohio, three in New York, two in Indiana, one in Connecticut, two in New Jersey, one in Illinois, and one in Missouri.

Senator SMOOT. Have you filed any figures showing the amount of production of all the chain manufacturers in the United States?

Mr. SCHMIDT. I have not that data, Senator.

Senator SMOOT. Have you stated to the committee or filed any figures showing the difference in the cost of production in this country and foreign countries? I was not here when you began your statement.

Mr. SCHMIDT. I respectfully refer you to one of the gentlemen who is to follow me, who has that data very closely at hand, and will allude more carefully and fully to it.

Senator SMOOT. Do you export any chains?

Mr. SCHMIDT. A trifle; probably 4 or 5 per cent of our total tonnage.

Senator SMOOT. To what countries?

Mr. SCHMIDT. Principally to Canada; although we export in small lots "pick-up" orders, as they are called in New York, to Mexico, which is the second largest point, and small quantities to the southern countries.

Senator SMOOT. Do you export any to England?

Mr. SCHMIDT. Oh, no, sir; no.

Senator SMOOT. Nor to Germany?

Mr. SCHMIDT. No.

The CHAIRMAN. Do you know whether there are any importations from other countries?

Mr. SCHMIDT. Yes, sir. The tariff report, which I have not at hand for the moment, shows that \$74,000 worth of chain were imported in 1911.

The CHAIRMAN. Yes; that is right.

Mr. SCHMIDT. And possibly, I think, forty or fifty thousand dollars' worth in 1910, under the present tariff.

The CHAIRMAN. \$42,739 worth in 1910. I have it here.

Senator SMOOT. The present bill provides a duty of 20 per cent ad valorem. The Wilson bill provided a duty of 30 per cent. During the life of the Wilson bill was your industry profitable, or did the importations increase under that bill?

Mr. SCHMIDT. Let me have the exact date of the Wilson bill.

Senator SMOOT. It was in force from 1894 to 1897.

Mr. SCHMIDT. I do not know that there were any great importations then, except that we were more severely hurt than now on the Pacific coast, where they have extremely low freight rates and can get their goods into a position where we can hardly compete with them now.

Senator SMOOT. I notice there were \$24,132 worth of importations on which the duties were remitted.

Mr. SCHMIDT. Yes, sir.

Senator SMOOT. I suppose those were chains that were imported here for the purpose of manufacturing for other countries?

Mr. SCHMIDT. They were imported for large steamships, sir. Mr. Atwood has more definite information in reference to those than I have.

The table submitted by Mr. Schmidt is as follows:

Percentages of material and labor in the cost of the different sizes of proof or common coil chain.

	1 ¹ / ₂ Inch.	1 ³ / ₄ Inch.	2 ¹ / ₄ Inch.	2 ¹ / ₂ Inch.	2 ³ / ₄ Inch.	3 ¹ / ₄ Inch.	3 ¹ / ₂ Inch.	3 ³ / ₄ Inch.	4 ¹ / ₄ Inch.	4 ¹ / ₂ Inch.	4 ³ / ₄ Inch.	5 ¹ / ₂ Inch.
Material.....	16.0	23.7	31.7	37.6	42.8	46.8	48.1	50.0	54.4	57.3	58.6	58.6
Labor.....	61.0	54.8	48.6	43.6	39.4	36.0	35.2	34.0	28.8	27.9	26.9	26.9
Fuel.....	6.4	6.4	6.2	6.9	6.9	7.4	7.3	6.9	7.5	6.9	7.0	7.0
General expense.....	16.6	15.1	13.5	11.9	10.8	9.8	9.4	9.1	8.4	7.9	7.5	7.5
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

STATEMENT OF MR. ELI ATWOOD, OF LEBANON, PA., REPRESENTING THE LEBANON CHAIN WORKS.

The CHAIRMAN. Please go on in your own way, Mr. Atwood.

Mr. ATWOOD. Mr. Chairman, we appear before you to-day with regard to the tariff on chains. I should like to inform you that if the tariff is taken off it will be impossible for us to continue making large cable chains. I have had several experiences, one with the New York Shipbuilding Co., where chain has been imported from Pontypridd, Wales, and also in the case of the Fore River Shipbuilding Co.

The CHAIRMAN. The stenographer will take anything you want to file, relating to prices or figures, and he will have it printed as part of your remarks.

Mr. ATWOOD. This chain was imported at the cost of \$5.62 in Philadelphia.

Senator SMOOT. \$5.62 a hundred?

Mr. ATWOOD. \$5.62 a hundred. It is all sold by the hundred-weight. The chain is to-day in the New York shipyard, and anyone can see it. I have seen it. It is also in the yard of the Fore River Shipbuilding Co. at Quincy, Mass.

The reason I am in possession of these prices is because I tried to get it from the other side, as I knew they could deliver it here much cheaper than we could make it. Instead of my buying it, I turned all these bids over to them, and they purchased it from Brown, Lenox & Co., in Pontypridd, Wales. I have brought with me these bids and telegrams to show you the facts and the figures. My price on that chain was \$7.38, and that is the best price we could deliver it for.

Another cruiser is now being built for the Chinese Government—a training cruiser. That chain is being delivered to Philadelphia, so I have been informed, at \$3.65 per hundred pounds. We could not commence to touch that and put it on the floor; and you can see even 20 per cent duty would not let us out, because we have not that much profit in it. That is being imported to this side now. So if this duty is taken off, it will be impossible for us to live, under present conditions.

Senator SMOOT. Do you make much of that class of chain?

Mr. ATWOOD. Yes, sir. I made large chain for James J. Hill's boats. They were built in New London. The battleships have seven of my chains. I make chain for the New York Shipbuilding Co., the Cramps, the Midvale Co., and the Maryland Steel Works. This is the largest part of my business; and it would be impossible for me, with my plant on this side, to try to compete with those on the other side. I have been here now for 30 years, and I have been in this business ever since I have been in the country.

The CHAIRMAN. Mr. Atwood, you came from England originally; did you not?

Mr. ATWOOD. Yes, sir.

The CHAIRMAN. Your people were in the chain-manufacturing business over there, were they not?

Mr. ATWOOD. Yes, sir.

The CHAIRMAN. So that you and your people before you have been in the business for many years, and you are thoroughly familiar with it?

Mr. ATWOOD. Yes, sir; my grandfather and my father and my mother were all in the business.

The CHAIRMAN. What part of England were they in?

Mr. ATWOOD. Cradley Heath, where all this stuff is coming from—what is known as the "Black Country."

The CHAIRMAN. Can you state to the committee the difference in wages between the chain concerns in England and those in the United States?

Mr. ATWOOD. I can leave with you a card showing the wages, or I can mail it to you. I have not got it struck off, sir. We have their price list over there.

The CHAIRMAN. In a general way, do you know anything about the relative rates of wages in the chain business in England and in the United States—in Pennsylvania?

Mr. ATWOOD. There is a difference of about 40 per cent.

Senator SMOOT. You say you have the card rates?

Mr. ATWOOD. Yes, sir.

Senator SMOOT. I should like to have them put in the record.

The CHAIRMAN. Yes; we should like to have that put in the record.

Mr. ATWOOD. This is one of their lists, adopted February 19, 1900.

The CHAIRMAN. Is the 1900 card rate the one prevailing at the present time?

Mr. ATWOOD. Yes, sir.

Senator SMOOT. Have you the card rate for the American mills?

Mr. ATWOOD. Yes, sir.

Senator SMOOT. Let that go in following the card rate of England

The tables contained on the cards referred to are as follows:

English prices.

[Factory and journeyman's price list for dollyed chains, Feb. 19, 1907. English prices are for 112 pounds per hundredweight.]

Size.	Common per hundred-weight.	United States equivalent.	Lloyd's test or extra per hundred-weight.	United States equivalent.	Best per hundred-weight.	Size.	Special best or crane chains per hundred-weight.	United States equivalent.	Composition and low moor per hundred-weight.	United States equivalent.	Steel per hundred-weight.
No. 3.....	22/3	\$5.34	24/1	\$5.78	26/5	1-inch.....	24/2	\$5.80	27/10	\$6.68	37/5
No. 2.....	17/8	4.24	18/9	4.50	20/11	1-inch.....	16/4	3.92	20/7	4.94	25/3
No. 1.....	14/7	3.40	16/0	3.84	18/6	1-inch.....	11/10	2.84	15/2	3.64	18/2
11/3	2.70	12/9	3.06	14/7	1-inch.....	8/11	2.14	12/1	2.90	14/7	
bare.....	9/1	2.18	10/6	2.52	11/5	1-inch.....	7/7	1.88	9/1	2.18	10/11
bare.....	7/9	1.86	8/10	2.12	9/9	1-inch.....	6/5	1.64	7/11	1.90	9/9
bare.....	6/9	1.62	7/8	1.84	8/7	1-inch.....	5/9	1.38	7/0	1.68	8/5
1-in. bare.....	6/0	1.44	7/0	1.68	7/8	1-inch.....	5/3	1.26	6/4	1.52	7/11
1-inch.....	5/4	1.28	6/3	1.50	6/11	1-inch.....	4/10	1.16	5/9	1.38	7/4
1-inch.....	4/7	1.10	5/3	1.26	5/11	1-inch.....	4/5	1.06	5/6	1.32	7/0
1-inch.....	4/1	.99	4/9	1.14	5/4	1-inch.....	4/2	1.01	5/2	1.25	6/6
1-inch.....	3/9	.91	4/2	1.01	4/8	1-inch.....	4/0	.96	6/0	1.20	6/2
1-inch.....	3/6	.84	3/11	.94	4/5	1-inch.....	3/10	.92	4/10	1.16	6/0
1-inch.....	3/3	.79	3/8	.88	4/0	1-inch.....	3/8	.88	4/10	1.16	6/0
1-inch.....	3/1	.75	3/6	.85	3/10	1-inch.....	3/6	.85	4/10	1.16	6/0
1-inch.....	2/11	.70	3/3	.79	3/7	1-inch.....	3/4	.81	4/10	1.16	6/0
1-inch.....	2/9	.67	3/1	.74	3/4	1-inch.....	3/2	.77	4/7	1.10	5/8
1-inch.....	2/7	.63	2/11	.70	3/2	1-inch.....	3/2	.....	4/7	1.10	5/8
1-inch.....	2/6	.60	2/9	.66	3/0	1-inch.....	3/2	.....	4/7	1.10	5/8
1-inch.....	2/4	.56	2/7	.63	2/10	1-inch.....	3/2	.....	4/7	1.10	5/8
						1-inch.....	3/3	.79	4/7	1.10	5/8

10 per cent extra when one gauge has to be used.

20 per cent extra when two gauges are to be used or wheel chains.

Stud chains, 1-inch and smaller, same price as short link.

All sizes of stud chains larger than 1-inch, 2d. per hundredweight less than short link.

All links cut or sheared free of charge or cost to workman.

American prices.

Sizes.	Prices for making stud link, end weld.	Sizes.	Prices for making stud link, side weld.
1-inch.....	1.37	1½ to 2½ inch.....	\$0.67
1½ inch.....	1.23	2½ inch.....	.70
2-inch.....	1.19	2½ and 3 inch.....	.74
2½ inch.....	1.10	3-inch.....	.84
3-inch.....	.96	3½ inch.....	.95
3½ inch.....	.89	4-inch.....	1.08
4-inch.....	.82	4½ inch.....	1.21
4½ inch.....	.75	5-inch.....	1.34
5-inch.....	.77	5½ inch.....	1.47
5½ to 2 inch base.....	.73	6-inch.....	1.59
2½ and 3½ inch base.....	.86	6½ and 3½ inch.....	1.72
6-inch.....	.99	7-inch.....	1.84
6½ inch.....	1.12	7½ inch.....	1.98
7-inch.....	1.30	8-inch.....	2.08

The CHAIRMAN. Is there a larger proportion of women and children employed abroad than there is here, or is it about the same, or are there any women employed in the industry?

Mr. ATWOOD. I was over in Europe in 1901, in August, and before 9 o'clock in the morning I saw from twelve to thirteen hundred women parading the streets on what they call a "strike and a call-out." They were going around to different small shops and calling out the others and calling them into line. I saw that in this same town of Cradley Heath.

Senator SMOOT. Women working in chain factories?

Mr. ATWOOD. In chain factories.

The CHAIRMAN. What proportion of the work in chain factories is done by women and what proportion by men, in England?

Mr. ATWOOD. The women do not go into the factories, but they all have their little plants or shops right back of their houses. They go to these large plants and take out the work and return it at the end of the week or the end of the month.

The CHAIRMAN. They have what they call the cottage or home industry there?

Mr. ATWOOD. Yes. I have a picture here showing the women who make chains carrying them on their shoulders.

The picture referred to will be printed in the permanent record of the committee's proceedings.

Senator SMOOT. What percentage of female labor do you employ?

Mr. ATWOOD. Not any.

Senator SMOOT. So the cottage system of working that prevails in England never has been adopted in this country?

Mr. ATWOOD. No, sir; but we in this country have to meet the competition of that chain which they make.

Senator SMOOT. We know that.

Mr. ATWOOD. Mr. Woodhouse is more familiar with that than I am. I tried to sell chain to the Standard Oil Co. when they had 36 of their vessels built on the other side, and I could only deliver them there at a loss of about 25 per cent. I wanted to try to get some in over there, more for an advertisement than anything else, but I found I could not do it, and I had to drop it.

Senator SMOOT. Are you exporting your chain?

Mr. ATWOOD. No, sir.

The CHAIRMAN. What part of the work is done in the homes of these people?

Mr. ATWOOD. They just take the rod and bend it, and cut it off, and weld it. The iron is bought from the mills and sent to them in bundles of 50 or 60 or 75 pounds each. Then they work it up into chains, get a team, and take it back to the factories. I brought these letters to show you. I have the figures from the other side against our figures, which show it is impossible for us to compete with that kind of labor.

The CHAIRMAN. If you have any papers there that you think would enlighten the committee by being printed, if you will hand them to the stenographer they will be printed as part of your testimony, and, if necessary, returned to you.

Mr. ATWOOD. Yes, I should like to have them returned, because they are part of my files.

The CHAIRMAN. Very well. They will be returned to you.

The papers referred to will be found at the end of Mr. Atwood's statement.

The CHAIRMAN. How many men do you employ?

Mr. ATWOOD. About 350. I will state that there are some more cruisers going to be built in this country, and if the foreign chain is allowed to come in without any duty there is no use in our bidding on it on this side at all.

Senator SMOOT. Will the 20 per cent duty protect you?

Mr. ATWOOD. No, sir; it will not.

The CHAIRMAN. What would happen if this bill passed?

Mr. ATWOOD. If this bill passed, we should have to go out of business in all that big stuff. I do not see that it would be worth while for me, after being here 30 years, to stay here any longer if I want to remain in this business.

The CHAIRMAN. The big chain is the bulk of your business, is it?

Mr. ATWOOD. Yes, sir; cable chain is the bulk of my business; but it would not pay me to stay on this side and make it.

The CHAIRMAN. You probably would go back to England, would you?

Mr. ATWOOD. I should not like to say that. I should not want to go back, but I should have to turn my hand to something else. I became an American citizen on the first day I could after coming here, and I should not want to go back to Cradley Heath after being here all these years. I am an American; I want to be one, and I want to stay here.

Senator McCUMBER. You would either have to go out of business or else lower the wages of your workmen, would you not?

Mr. ATWOOD. I do not think we could do that very well. If we started to lower our wages we would have a strike on our hands. I am sure of that.

Senator McCUMBER. If we had a general lowering of wages all over the whole country, which it seems to me we would be pretty liable to have if this bill should go through, and others of similar character, your labor market would be glutted; would it not?

Mr. ATWOOD. I do not think that would be a right and safe position for us to take; because there has been lowering and raising of wages in this country in the last 10 years, and we have neither raised nor lowered ours. The machine-chain men have raised their wages, but these men in 20 years have had only one advance of 10 per cent.

Senator SMOOT. Are they pretty well satisfied?

Mr. ATWOOD. They are very well satisfied.

The CHAIRMAN. Is most of your labor what is called skilled or unskilled labor?

Mr. ATWOOD. Skilled labor.

The CHAIRMAN. What does it average in wages?

Mr. ATWOOD. About 60 per cent.

The CHAIRMAN. No; I mean, what do the men average a day or a week?

Mr. ATWOOD. My men that make this big chain average about \$6 to \$7 a day. Then they have three helpers, and 50 per cent of the money goes to them. So the chain man himself gets 50 per cent when he has three helpers, and when he has one helper he gets 60 per cent, and his helper gets 40 per cent.

Senator HEYBURN. You are pretty familiar with the chain-making business in the country, on both a large and a small scale, are you?

Mr. ATWOOD. Not on a small scale.

Senator HEYBURN. You do not know about that?

Mr. ATWOOD. No.

Senator HEYBURN. You do not know what proportion of the chains in this country are made by hand forging?

Mr. ATWOOD. No. Mr. Schmidt, I think, gave more information on that point—the gentleman that was up here before me.

Senator HEYBURN. I was not present then. I want to put that inquiry to some witness.

The CHAIRMAN. Mr. Schmidt can answer you, Senator Heyburn. He just testified, and he can answer your question.

Senator HEYBURN. Yes; I should like to ask that question of him.

The following statement and letter were submitted by Mr. Atwood:

FEBRUARY 23, 1912.

Mr. Atwood, of the Lebanon Chain Works, Lebanon, Pa., begs leave to submit additional data—the original quotation to him from Brown, Lenox & Co., Pontypridd, on the 900 fathoms of $3\frac{1}{4}$ -inch stud link chain for the battleships that were built for the Argentine Republic by the New York Shipbuilding Co., and the Fore River Shipbuilding Co.

It is to be noted that the delivered price c. i. f. Philadelphia, of the English maker was 26s. and 3d. for 112 pounds, equivalent to \$5.62 per 100 pounds, whereas the actual cost for the chain delivered, on chain made by the Lebanon Chain Works, is \$6.38 per 100 pounds, which price does not include any profit whatever.

It was the chain for these two battleships which were imported and referred to on page 48 of Report No. 260 as the item of \$24,132 of imports on chain on which the duties were remitted.

BROWN, LENOX & CO. (LTD.),
Pontypridd, June 27, 1910.

Messrs. ELI ATTWOOD Co.,
Lebanon (Philadelphia).

DEAR SIR: In reply to your kind inquiry by wire, we have the pleasure to submit the undermentioned prices, which we trust may secure your esteemed order.

Yours, respectfully,

BROWN, LENOX & CO. (LTD.),
JAS. B. RICHARDSON,
Managing Director.

Per hundred-
weight.

900 fathoms of $3\frac{1}{4}$ -inch stud-link chain, fitted with forged-steel studs..... 26/3

To British Admiralty specification and tested at Lloyd's public proving house to their requirements.

Where delivered, c. i. f. Philadelphia.

Terms, net cash monthly.

Conditions.—(1) This offer is available for acceptance within ——— days from date hereof.

(2) In the event of any goods supplied by us (other than those mentioned in condition 3) being returned by you as defective and admitted by us to be so, same shall be replaced if desired, but shall not form the subject of a claim for labor or other expenditure.

(3) Any goods sold by us subject to inspection and test shall be inspected and tested before they leave our works or the public proving house and finally accepted there; and when once they have left either place they shall not be liable to complaint or rejection.

(4) In no case shall we be liable for latent defects or for any loss or damage consequent thereon.

(5) The time for delivery is named subject to the nonoccurrence of accidents to machinery, strikes of workmen, or other unforeseen contingencies.

FURTHER STATEMENT OF MR. JOHN C. SCHMIDT, OF PITTSBURGH, PA., REPRESENTING THE STANDARD CHAIN CO.

Senator HEYBURN. I want to know about what proportion of the chains are hand forged—made by hand.

Mr. SCHMIDT. It is very difficult to tell what proportion; and I think possibly you do not have in mind what Mr. Atwood is speaking of. The heavy chains are all handmade or hand forged.

Senator HEYBURN. Yes; but what I want to get at is this—I can make a short cut to it, probably, so that we will not waste time: I want to know what proportion of the chains made are made in the old, small way, outside of big factories?

Mr. SCHMIDT. None in this country.

Senator HEYBURN. I have recently stood and watched them being made by hand. I am not talking now about factories. I want to know what proportion of the chains are made in the old-fashioned blacksmith-shop way.

Mr. SCHMIDT. I know of none, sir. I know of none.

Senator HEYBURN. I could direct you to some.

Mr. SCHMIDT. I shall be glad to have that information. I try to keep in touch with these matters.

Senator HEYBURN. Of course you would not contend that all of the local farmers' chains are made in large factories.

Mr. SCHMIDT. I contend that the work that heretofore was done largely by blacksmiths is now done in the larger factories.

Senator HEYBURN. I know it is largely done in that way. That expresses it; but I merely wanted to know whether there was any estimate of the amount?

Mr. SCHMIDT. I do not believe it would amount to 5 per cent of the total production.

Senator HEYBURN. That is just about the estimate I had in my mind—that about 5 per cent of them are still made in the old-fashioned way.

Mr. SCHMIDT. Probably that is true, sir.

Senator HEYBURN. Those men are entitled to some protection, too, are they not?

Mr. SCHMIDT. Absolutely.

Senator HEYBURN. They need more protection than the large manufacturers do, do they not.

Mr. SCHMIDT. They have no overhead charges.

Senator HEYBURN. They generally have the ownership of their shop and the investment of money in proportion to the amount of their business.

Mr. SCHMIDT. Yes.

Senator HEYBURN. And they have their personal labor and attention to it.

Mr. SCHMIDT. Yes.

Senator HEYBURN. Those are all overhead charges with them?

Mr. SCHMIDT. Yes.

Senator HEYBURN. They do not have the same kind of overhead charges that the large factories do. Can you tell me approximately the value of all the chain made in the United States, large and small?

Mr. SCHMIDT. I have no means of knowing, because I have not access to any reports; but I should estimate it at approximately \$5,000,000.

Senator HEYBURN. Then one-twentieth of that—it was about 5 per cent, you said—would cover these chains that are made in the old-fashioned way.

Mr. SCHMIDT. Yes.

Senator HEYBURN. I have had it in my mind all through these examinations to ascertain what protection, if any, that element needs. They own their own investment and work in their own shops. Their overhead charges consist of the shanty or the shed that is over them, their investment in their tools, and the property they work on.

Mr. SCHMIDT. Yes.

Senator HEYBURN. That probably corresponds in percentage with that of the larger shops.

Mr. SCHMIDT. Yes.

Senator HEYBURN. I have had it in my mind that those people are entitled to the same measure of protection and need more than the large ones.

Mr. SCHMIDT. I quite agree with you.

Senator HEYBURN. You say that would be about five millions, altogether?

Mr. SCHMIDT. That is my guess, though I have no data.

Senator HEYBURN. That would represent \$250,000?

Mr. SCHMIDT. Yes.

Senator HEYBURN. And that \$250,000 has a good bit of muscle and sweat behind it, has it not?

Mr. SCHMIDT. Yes.

Senator HEYBURN. But it has a smaller margin of profit, because it competes with those of you who make that commodity by machinery and on a large scale?

Mr. SCHMIDT. Yes, sir.

Senator HEYBURN. It represents not only a necessity but a convenience to a neighborhood?

Mr. SCHMIDT. The last point, Senator, is a very strong one; it represents a convenience to a neighborhood.

Senator HEYBURN. If chains could be imported so cheaply as to undersell those people, they would suffer more than you would, because they would entirely disappear, while you would be only partially submerged? Is that so?

Mr. SCHMIDT. Quite so.

Senator HEYBURN. I just wanted to get that principle into the record somewhere, that is all.

Mr. SCHMIDT. Mr. Chairman, I should like to supplement my remarks by presenting here the union scale of wages which is paid throughout the country to the handmade union. It shows the rate of wages from July 1, 1899, with an advance of 10 per cent made November 21, 1900, and a subsequent advance aggregating, as I have stated, from 22 to 46 per cent on the original scale which was made March 1, 1907.

The CHAIRMAN. The committee will be very glad to have that table, and it will be printed as part of your statement.

Senator SMOOT. Does that bring it up to the present?

Mr. SCHMIDT. Up to the present. No change has been made since March, 1907.

The figures above referred to, with an explanatory note by Mr. Schmidt, are as follows:

In connection with testimony of Mr. John C. Schmidt, president of the Standard Chain Co., Pittsburgh, Pa., Mr. Schmidt begs leave to submit, first, the present scale of wages paid in England, reduced to American money on the basis of 24 cents to the shilling. The English wage list covers prices paid to "outworkers," i. e., those who furnish their own shops, fuel, tools, etc., in which to work, and deliver their product to their employer, on all sizes up to 1-inch in diameter, inclusive. The larger sizes are made in employers' factories. It is also to be noted that the English price on stud chain as shown are made in employers' factories, as is also the custom in the United States.

Outworkers' price list for dollied chains, 1907.

Size of iron.	Common, per hundredweight.	United States equivalent.	Extra and Lloyd's test, per hundredweight.	United States equivalent.	Best, per hundredweight.	United States equivalent.	Special best or crane, per hundredweight.	United States equivalent.	Compo and low moor, per hundredweight.	United States equivalent.	Steel, per hundredweight.	United States equivalent.
No. 6.....	67/6	\$16.20	72/6	\$17.40	81/0	\$19.44	91/4	\$21.92	101/0	\$24.24	133/0	\$31.92
No. 5.....	48/0	11.04	49/6	11.88	53/4	12.80	61/0	14.64	69/4	16.64	92/6	22.20
No. 4.....	36/4	8.72	38/9	9.30	42/6	10.20	48/6	11.64	54/0	12.96	72/6	17.40
No. 3.....	28/8	7.12	32/2	7.72	35/2	8.44	40/2	9.64	44/0	10.56	60/6	14.52
No. 2.....	23/1	5.54	25/0	6.00	26/10	6.44	32/0	7.68	36/4	8.72	48/6	11.64
No. 1.....	19/6	4.68	21/3	5.10	24/9	5.94	26/6	6.36	32/2	7.72	40/8	9.76
1-inch.....	15/0	3.60	17/0	4.08	19/6	4.68	21/6	5.16	27/0	6.48	33/0	7.92
1 1/4-inch.....	12/1	2.90	13/11	3.34	15/6	3.72	18/8	4.48	22/10	5.48	28/0	6.72
1 1/2-inch.....	10/3	2.46	11/9	2.82	13/0	3.12	15/6	3.72	18/8	4.48	23/0	5.52
1 3/4-inch.....	8/11	2.14	10/3	2.46	11/6	2.76	13/9	3.30	17/0	4.08	21/0	5.04
2-inch.....	8/1	1.94	9/3	2.22	10/3	2.46	11/10	2.84	15/5	3.70	18/8	4.48
2 1/4-inch.....	7/1	1.70	8/3	1.98	9/2	2.20	10/9	2.58	13/6	3.24	16/3	3.90
2 1/2-inch.....	6/1	1.46	7/0	1.68	7/11	1.90	9/8	2.32	11/6	2.76	13/9	3.30
2 3/4-inch.....	5/6	1.32	6/4	1.52	7/1	1.70	8/3	1.98	10/3	2.46	12/6	3.00
3-inch.....	5/1	1.22	5/7 1/2	1.35	6/3	1.50	7/5	1.78	9/0	2.16	11/0	2.64
3 1/4-inch.....	4/8	1.12	5/3	1.26	5/10	1.40	6/9	1.62	8/2	1.96	10/2	2.44
3 1/2-inch.....	4/5	1.06	4/11	1.18	5/5	1.30	6/5	1.54	7/8	1.84	9/6	2.28
3 3/4-inch.....	4/2	1.00	4/8 1/2	1.12	5/2	1.24	5/10	1.40	7/4	1.76	9/3	2.22
4-inch.....	3/11	.94	4/5	1.06	4/10	1.16	5/6	1.32	7/0	1.68	8/7	2.06
4 1/4-inch.....	3/8 1/2	.89	4/2	1.00	4/5	1.08	5/4	1.28	6/8	1.60	8/2	1.96
4 1/2-inch.....	3/6	.84	3/11	.94	4/3	1.02	5/1	1.22	6/5	1.54	8/1	1.94
4 3/4-inch.....	3/4	.80	3/8	.88	4/0	.96	4/8	1.12	6/5	1.54	8/1	1.94
5-inch.....	3/1	.74	3/6	.84	3/10	.92	4/7	1.10	6/5	1.54	8/1	1.94
5 1/4-inch.....	3/0	.72	3/4	.80	3/9	.90	4/5	1.06	6/5	1.54	8/1	1.94
1 1/2 to 1 3/4 inch, inclusive									6/1	1.46	7/6	1.80

Ten per cent extra to above list of prices for one gauge; 20 per cent extra for two gauges or wheel chain. For exact iron, half the price of the size above and half the price of the size below added together. All stud chains, 1/2-inch and smaller, the same price as short link, and weight of studs given to the workman.

All stud chains, 1/2-inch and larger, 2d. per hundredweight less than short-link chain.

All lengths of link longer than ordinary length of short link the same price as short link.

Comparative welding prices for hand-made chain.]

[American prices per 100 pounds. Union labor scale.]

COMMON.

Sizes.	July 1, 1899.	Nov. 21, 1900.	Advance.	Mar. 1, 1907.	Advance.	English.
			Per cent.		Per cent.	
1-inch.....	\$1.87	\$2.06	10	\$2.49	33	\$1.47
1 1/4-inch.....	1.65	1.81	10	2.07	25	1.33
1 1/2-inch.....	1.37	1.51	10	1.87	36	1.19
1 3/4-inch.....	1.24	1.36	10	1.66	33	1.10
2-inch.....	1.15	1.26	10	1.51	30	1.04
2 1/4-inch.....	1.07	1.17	10	1.38	29	.98
2 1/2-inch.....	.99	1.09	10	1.36	37	.93
2 3/4-inch.....	.95	1.04	10	1.16	22	.88
3-inch.....	.86	.95	10	1.10	27	.84
3 1/4-inch.....	.77	.85	10.	.94	22	.58

Comparative welding prices for hand made chain—Continued.

CRANE.

Sizes.	July 1, 1899.	Nov. 21, 1900.	Advance.	Mar. 1, 1907.	Advance.	English.
			<i>Per cent.</i>		<i>Per cent.</i>	
$\frac{1}{2}$ inch.....	\$2.47	\$2.72	10	\$3.12	26	\$1.58
$\frac{3}{4}$ inch.....	2.04	2.24	10	2.77	35	1.49
1 inch.....	1.60	1.76	10	2.34	46	1.31
$1\frac{1}{4}$ inch.....	1.45	1.59	10	2.10	44	1.23
$1\frac{1}{2}$ inch.....	1.36	1.50	10	1.94	42	1.14
$1\frac{3}{4}$ inch.....	1.25	1.37	10	1.73	38	1.09
2 inch.....	1.15	1.26	10	1.65	43	1.02
$2\frac{1}{4}$ inch.....	1.10	1.21	10	1.46	32	.93
$2\frac{1}{2}$ inch.....	1.00	1.10	10	1.37	37	.90
$2\frac{3}{4}$ inches.....	.91	1.00	10	1.14	25	.61

DREDGE.

$\frac{1}{2}$ inch.....	\$2.75	\$3.02	10	\$3.26	18	\$2.03
$\frac{3}{4}$ inch.....	2.20	2.42	10	2.90	31	1.73
1 inch.....	1.82	2.00	10	2.48	36	1.56
$1\frac{1}{4}$ inch.....	1.65	1.81	10	2.23	35	1.42
$1\frac{1}{2}$ inch.....	1.65	1.81	10	2.07	25	1.35
$1\frac{3}{4}$ inch.....	1.43	1.57	10	1.86	30	1.23
2 inch.....	1.32	1.45	10	1.78	34	1.16
$2\frac{1}{4}$ inch.....	1.26	1.39	10	1.60	26	1.13
$2\frac{1}{2}$ inch.....	1.15	1.26	10	1.51	31	1.09
$2\frac{3}{4}$ inches.....	1.05	1.15	10	1.28	22	.75
3 inch.....	.94	1.03	10	1.27	36	.68
$3\frac{1}{4}$ inch.....	.94	1.03	10	1.14	21	.63
$3\frac{1}{2}$ inch.....	.94	1.03	10	1.14	21	.70
$3\frac{3}{4}$ inch.....	.94	1.03	10	1.14	21	.70
4 inch.....	.94	1.03	10	1.14	21	.70
2 inch.....	.94	1.03	10	1.22	29	.70

STUD.

$1\frac{1}{2}$ inches.....	\$0.68	\$0.75	10	\$0.83	22	\$0.51
1 $\frac{3}{4}$ inches.....	.55	.60	10	.77	40	.49
1 $\frac{1}{2}$ inches.....	.55	.60	10	.73	32	.47
1 $\frac{1}{4}$ inches.....	.55	.60	10	.73	32	.46
1 $\frac{1}{2}$ inches.....	.55	.60	10	.73	32	.46
1 $\frac{3}{4}$ inches.....	.55	.60	10	.73	32	.46
2 inches.....	.55	.60	10	.73	32	.46
$2\frac{1}{4}$ inches.....	.65	.71	10	.90	23	.40
$2\frac{1}{2}$ inches.....	.65	.71	10	.86	32	.42
$2\frac{3}{4}$ inches.....	.70	.77	10	.93	32	.44
3 inches.....	.70	.77	10	.90	40	.47
$3\frac{1}{4}$ inches.....	.80	.88	10	1.12	40	.51
$3\frac{1}{2}$ inches.....	1.10	1.21	10	1.30	19	.54

STATEMENT OF MR. THOMAS F. WOODHOUSE, REPRESENTING THE WOODHOUSE CHAIN WORKS, OF TRENTON, N. J.

MR. WOODHOUSE. Mr. Chairman and gentlemen, a great deal can be said, but I think it is unnecessary at this time. But in supplementing the answer to Senator Heyburn's question, I should like to have it cleared up in my mind as to whether he meant the old-fashioned blacksmith way of making chain, the way it is made in England—that is, in the single individual blacksmith shop. Is that what you had in mind, Senator?

SENATOR HEYBURN. I meant the blacksmith shop, but I had in mind the various classes of chain. For instance, I know of one not very far from here that would hardly be termed a blacksmith shop. It has been in active operation since I was a boy. They make farmers' chains, and all that kind of thing; and they make them by

hand, on what the country establishment would call a large scale. It would be nothing compared with the business of the factories, of course. Then, of course, there are the smaller ones. You are doubtless aware of that?

Mr. WOODHOUSE. Yes, sir; but my idea was to bring out this point: Every one of us chain manufacturers represented here this morning has some strictly handmade-chain makers in each of his plants. If you want the proportion of all-hand made chains made in the old fashioned way in this country, 5 per cent would be a very small proportion.

Senator HEYBURN. No; I was speaking of the helpless chain maker, the man who is not recognized in any combination, business or financial, but who struggles along for the patronage of his neighborhood and the convenient environment.

Mr. WOODHOUSE. That percentage is probably about right.

Senator HEYBURN. I refer to the man who has no capital stock except his little plant, and a few hundred dollars, or perhaps more, in his neighboring bank.

Mr. WOODHOUSE. Our plant, particularly, is an individual concern. Just at present it is an estate. My father founded the business 28 years ago in Ternton, N. J., after coming from England in 1882. He had been a chain manufacturer in England, found he could not make it go there and came over here. He always had been a free trader on the other side. But, as soon as he considered conditions in this country he recognized at once that free trade for this country would not be satisfactory—in fact, the country could not stand it—in the chain business.

To cut matters short I will state that I appeared before the Ways and Means Committee on the Payne-Aldrich bill in 1908. As a part of my testimony, I request permission to submit this printed brief, which is exactly the truth to-day as it was then. I should like to enlarge on it a little, if you will allow me to, referring particularly to the different grades of chain.

We manufacture all grades, entirely handmade, from the rod, exactly as Mr. Atwood has referred to, only not in those large sizes. We also manufacture a partly machine-made chain; that is, it is partly formed and cut by machinery; but every link is welded by handwork or footwork, operated by a man. The smaller chains, where we come into competition with the German manufacturers, are also made in somewhat the same way, but of very small wire.

Senator SMOOT. Your factory adheres to the union scale of wages, does it?

Mr. WOODHOUSE. Yes, sir.

Senator HEYBURN. Do you mean to say that you do not work anyone except those who belong to the union?

Mr. WOODHOUSE. No, sir. We are what is known as a union shop. We pay the union scale of wages which is adopted all over the country.

Senator HEYBURN. That is quite common; but the question with me is, do you confine your labor to men who belong to the union?

Mr. WOODHOUSE. Yes, sir. We are forced to do that by reason of the union conditions at the present time.

Senator HEYBURN. That is by reason of the "labor trust"?

Mr. WOODHOUSE. Yes, sir.

Take, if you please, one size of handmade chain, of which we manufacture a large proportion. We will take particularly the half-inch

size for convenience. The American scale of wages on that one size of chain to-day is \$3.12 per hundred pounds. The rate of the English manufacturer, under what is known as the 6/6 list, as paid in England in the outworker's list, is \$1.36 per hundred pounds. You will notice the difference there. The difference between \$3.12 and \$1.36 is really a little greater than 50 per cent. In other words, the English wages are a little less than 50 per cent of the American wages.

I have here supporting that the quotations of strictly handmade chains from England, at which they can lay them down in our factory in Trenton, plus the 45 per cent duty which is now in force, and about 5 per cent for expenses. It does not exceed 50 per cent of the English cost to get the chain into this country and lay it down in our factory. That I have proved, because when we were so busy in 1906 and 1907 we had to buy some. Taking this same half-inch chain, the English prices on half-inch chain f. o. b. New York, all expenses and duty paid, were \$5.80 per hundred pounds. That was delivered, duty paid, in New York City. At that time, three years ago, our price was \$8.70. To-day it is \$8.60 or \$8.50, or somewhere near that point. So that the difference is really immaterial.

Senator McCUMBER. It is enough so that they can compete with you in New York?

Mr. WOODHOUSE. Yes, sir. They can compete with us, under present conditions, with 45 per cent duty.

Senator HEYBURN. Who are your competitors?

Mr. WOODHOUSE. In the United States?

Senator HEYBURN. No; abroad—your foreign competitors?

Mr. WOODHOUSE. All of the manufacturers in Cradley Heath, or the Black Country.

Senator HEYBURN. I wanted to ascertain whether it was England or not.

Mr. WOODHOUSE. England, particularly on the high grade of chain.

Senator HEYBURN. What part of England?

Mr. WOODHOUSE. The Black Country particularly—South Staffordshire.

Senator McCUMBER. Do the statistics which you are introducing give the amount of production in the United States and the amount of importations?

Mr. WOODHOUSE. Not the production. The amount of importations has already been given you. I have not that here.

The CHAIRMAN. It was given, and is in the Government report.

Senator McCUMBER. What proportion does it bear to the American product?

Mr. WOODHOUSE. That I do not know, Senator. There are no statistics that we know of that will give the total production of the United States.

Taking up the machine-made chain, the German competition particularly, we will take what is known as 2/0 German chain. It is made out of wire three-sixteenths of an inch thick. It weighs, in pounds, about 32 pounds per 100 feet. The German list for selling is \$10 per 100 feet. The discount for import, 70.2 per cent, nets \$2.43 per 100 feet, f. o. b. New York City, all duties paid. The present American selling price on this one size is \$2.50. Bear in mind that this is with 45 per cent ad valorem duty, or, if that is

lower than 3 cents per pound, then the rate of 3 cents per pound applies.

Taking No. 2 German size, which is made out of one-eighth inch wire, the list price is \$7.20 per 100 feet; the weight is 13½ pounds; the discount 70.2 per cent; the present selling price f. o. b. New York, \$1.75; the American cost, \$2.05. So, even with the present duty, we are handicapped on that size to the amount of 15 per cent in actual selling cost in New York City.

It is still worse on the shorter link chain, German machine chain. Taking the No. 2 size in this particular grade, it weighs 22 pounds per 100 feet, 24 links per foot; the American selling price is \$9.50 per 100 feet, net, and we can not make a very large profit upon that price to-day. The import selling price is \$4.67 per 100 feet.

Senator HEYBURN. I understand you to mean that the door is unlocked and the enemy may come in whenever he chooses to?

Mr. WOODHOUSE. To-day; yes, sir.

Senator HEYBURN. If he does not come in, it is merely because he is not yet ready?

Mr. WOODHOUSE. That is all; yes, sir.

Senator CLARK. I do not think I got that just right. You say it costs you how much to make it?

Mr. WOODHOUSE. We can not sell it for less than \$9.50.

Senator CLARK. And how much can the Germans sell it for?

Mr. WOODHOUSE. \$4.67.

Senator CLARK. In the same market?

Mr. WOODHOUSE. In the same market, right in New York City.

Senator CLARK. Duty paid?

Mr. WOODHOUSE. Everything paid; yes, sir.

Senator CLARK. What are the imports?

Mr. WOODHOUSE. It was given out before—about \$70,000.

The CHAIRMAN. That has been given very fully. It is in the Government report here.

Senator CLARK. How is it, then, if it costs you twice as much to make it as they can sell it for, that the imports are so light? How do you account for it?

Mr. WOODHOUSE. In this printed report that I gave you the last time I was here, I said that if all the importation of chain from Germany alone could be stopped, and it could be made by our own American workmen, it would keep our plant working steadily on nothing else but the amount of that chain that is being imported.

Senator CLARK. But what I am curious about is how it is, when they can compete with you and make 100 per cent on the entire cost, that more of it is not imported?

Mr. WOODHOUSE. It is not used, I presume. There is no other reason for it.

Senator CLARK. How much do you make?

Mr. WOODHOUSE. We have made very little of it in the last three years.

Senator CLARK. How much?

Mr. WOODHOUSE. Of that one size?

Senator CLARK. Yes.

Mr. WOODHOUSE. That is a very small proportion of our business. I suppose we do not make 10,000 feet a year of that one size. We are simply driven out of the business.

Senator CLARK. What I am getting at is this: A great deal more is imported than is manufactured in this country; is that the idea?

Mr. WOODHOUSE. I can not say that. I have no record of that. I am speaking simply for our establishment. We have been in the business 28 years, right in Trenton, N. J.; and we were, and are yet, technically, a specialty shop, making these particular lines of chain.

Senator CLARK. I can not see how you can sell any chain under the circumstances.

Mr. WOODHOUSE. We do not, of that size. We are selling other goods. I am simply taking these as individual items throughout the different sizes and grades of chain that are being made.

Senator McCUMBER. The reason there is no competition, then, is that there is not enough business in that line of chains to invite competition.

Mr. WOODHOUSE. In this country.

Senator McCUMBER. I mean in this country.

Mr. WOODHOUSE. There would be if the tariff were sufficient to allow the manufacturers to make it and pay the wages that the men have to have in this country.

Senator CLARK. The present tariff on that class of chain is of little or no avail, then?

Mr. WOODHOUSE. That is true as to that particular size. There are other sizes of chain which we manufacture, which Mr. Schmidt has referred to and Mr. Atwood has referred to, but I thought it was useless to go into that, because the ground was so well covered; and then they have submitted these printed circulars.

Senator HEYBURN. You are leaving your statement uncovered there. I should like to bring those two statements together. That there is the business in this country, taking the whole item of chains together; that it is only in regard to this particular class of chains that there is not a sufficient demand. You said there was not sufficient demand. That would include all kinds of chains, and the testimony of other witnesses has shown that there is a demand.

Senator McCUMBER. I referred only to the particular chains he was referring to.

Mr. WOODHOUSE. That is all I referred to.

Senator HEYBURN. I thought he left that uncovered in his answer.

Mr. WOODHOUSE. I have a little data here on that point, I think. I have the list right here.

Senator HEYBURN. He has shown there is a demand for \$5,000,000 worth of chain.

Mr. WOODHOUSE. Yes; but that is of all classes, of course. I took those specific instances to show you the difference in the worst cases in one case, and in the other in a better case. So that if the present duty of 45 per cent on the classes of chain that we manufacture at Trenton, N. J., is lowered at all, we shall be very much handicapped; and we are sadly handicapped now on all small sizes of chain from half inch and smaller.

Senator CLARK. How do you account for the difference in cost between your chain and the German chain?

Mr. WOODHOUSE. Mr. Schmidt has referred to the conditions abroad. I understand that in Germany, as in England, the small chain is made by girls and boys and women. All larger chain is made by men. I was over in England a year ago, and I went through

the Cradley Heath district, where I was born, too, by the way. I know the conditions just as they are, and I know they are as bad as they can be.

Senator CLARK. Do you employ any boys or girls or women?

Mr. WOODHOUSE. We employ no girls or women of any kind, except two typewriter operators, and we have only three or four boys. They are not employed on chain, but on general, indirect labor.

Senator CLARK. How many men do you employ?

Mr. WOODHOUSE. Seventy-five.

Senator CLARK. I understand you to say your concern is not a corporation?

Mr. WOODHOUSE. No, sir; ours is an individual establishment.

Senator CLARK. Not even a partnership.

Mr. WOODHOUSE. Not a partnership; no, sir.

I will state in conclusion, gentlemen, that we recommend a continuance of the present 45 per cent ad valorem, or the equivalent of this in a specific duty. We prefer a specific duty, of course. So that 45 per cent, or the present specific rate, ought to be retained. It is specific now; but it ought not to be less than 45 per cent ad valorem.

The CHAIRMAN. That is all, Mr. Woodhouse, I think.

The papers submitted by Mr. Woodhouse are as follows:

During the tariff hearing held Friday, November 27, the question was asked by one of your honorable committee, Mr. Underwood, that Mr. Mattern file the American cost prices on chains at factories, with freight rate to New York added, compared to the selling prices of English chains f. o. b. Liverpool, plus freight and proposed duty.

In response to this request we beg leave to submit statement based on prices ruling in England, 1907, compared with the approximate cost in the United States factories for the same period. In both of these instances the prices are figured on the basis of New York delivery.

Comparing notes with other manufacturers, there was necessarily a great variety in the cost of delivery of an article at one given point, but we have endeavored to arrive at what we consider a just and fair average cost, as per schedule hereto attached, and marked "Exhibit A."

In arriving at the English selling prices we are not convinced that we have secured the lowest prices that were then being quoted, but have simply submitted prices as named by several leading English manufacturers.

LARGE SIZE CHAINS.

The chain manufacturers with whom we have conferred, and who represent practically every chain manufacturer in the United States, were hopeful that they could recommend a greater reduction of duty on large size chains than our schedule represents, but are confronted by the extremely higher labor cost of productive and non-productive work in this country, to wit:

The wages paid chain makers greatly exceed the wages paid abroad, as shown by the respective tables hereto affixed, and marked "Exhibit B."

The nonproductive labor in this country receives from \$1.50 to \$1.75 per day, whereas the same labor in England consider themselves well paid at \$4.50 per week (18s.); would add that nonproductive labor on large size chains is a very important item in figuring costs, and is work which can not be done by the installation of machinery.

SMALL CHAINS.

On smaller chains under thirteen-sixteenths of an inch, where an advance is asked, American manufacturers have to compete against chains made by outworkers in foreign countries, to whom chain manufacturers abroad supply the material and allow 7 per cent waste. The outworker furnishes his own building or shop, frequently located in the rear of his own home, where male and female labor of 14 years of age and upwards are employed. He, the outworker, is therefore a subcontractor, and furnishes, besides his shop, his blast (which is a hand bellows), fuel, and all appliances

or tools for the making of chains; consequently, the manufacturer or factor has merely his labor in receiving and shipping the finished product per 100 pounds, plus his material, to figure his costs.

This permits of chains being sold abroad at prices which can not be met by American manufacturers whose employees consist of men and boys over 16 years of age, under one roof, supplied with all appliances for chain manufacture, and paid the wage scale hereto attached, and marked "Exhibit B," covering only actual prices for welding.

In this connection we respectfully ask a careful study of the wage scales paid our chain makers and the prices paid the outworkers, keeping in view the conditions governing the outworkers.

Referring to the wage scale for hand-made chains: Every shop in the United States is a union shop, and which scale manufacturers are compelled to pay, notwithstanding the existing depression; the same scale of wages which were adopted in March of 1907, being 10 per cent advance over the previous scale, while in England the official scale during the year 1907 was the 6 shilling list for outworkers.

We are credibly informed that during the year 1907, notwithstanding the fact that the 6 shilling list was the published list of union wages paid outworkers in England, wages were actually being paid on the basis of the 3 shilling list to outworkers during this time. This disparity between the published union list of wages and the 3 shilling list actually paid is brought about by the fact that while the total number of chain makers in the Black District in England is about 5,000, only about one-fifth of the chain makers were members of the union, thus leaving four-fifths of the chain makers free to accept any price that the chain manufacturers chose to pay, which was an average of 25 to 50 per cent less than the union wages. All of the above facts as to membership of the union and the number of chain makers employed in the Black District in England were taken from the annual report made by the national secretary, Mr. Sitch, and as published in the Brierley Hill (England) Advertiser in the latter end of November, 1908.

To establish the foregoing statement, we submit herewith a clipping from the Iron Age, of New York, as published in the issue of February 7, 1907, on the subject of women chain makers in England. In regard to these outworkers we would respectfully call your attention to the fact that their overhead charges and general expenses can not, in our opinion, exceed 25 per cent of the welding prices, whereas by our factory system all nonproductive labor is paid by the manufacturer in the United States, and represents in the best regulated factories at least 80 per cent of the welding cost, and on the lighter sizes the percentage of the welding cost is from 100 to 125 per cent. By the lighter sizes, we refer to the sizes less than one-fourth inch.

CLIPPINGS FROM THE IRON AGE, NEW YORK.

WOMEN CHAIN MAKERS OF ENGLAND.

J. Sitch, secretary of the Chain Makers' and Chain Strikers' Association in Great Britain, has commented quite severely on the condition of the women workers in the chain-making trade of the Black Country, the district around Birmingham, England. After a period in which conditions among these workers changed for the better, they are now said to be as bad as at any time. The average wage for a week's work, with long hours six days in the week, is between 4 and 5 shillings—from \$1 to \$1.25.

Secretary Sitch, referring to the evils of sweating and the competition for the chance to work, severely reflects on workmen as well as employers. Not a few of the women have husbands who earn good wages. "I was pained to find," he says, "among this class, wives of members of the Chain Makers' and Chain Strikers' Association who, I know for a fact, earn more in three hours than their wives earn in a week. Some of these men brag about being good trade unionists when they are in a public house, but they are quite content to allow their wives to toil and slave in a chain shop for a mere pittance. Such men are not worthy to be members of a trade union."

In order that your committee may have a clearer view of the chain industry, it may be proper to state that the cost given in Exhibit A on stud link, BBB, or dredge chain, are all based on handmade chain, in the manufacture of which no machinery can be used, but rather all skilled labor.

MACHINE-MADE CHAINS.

Chain made in England to compete with the chain made in the United States known as machine-made chain, is a very low-grade quality, and is known abroad as hammered chain, in which they use the cheapest grade of iron that can be manufactured,

and particularly in the smaller sizes of three-sixteenth to three-eighths, inclusive, which are made by boys and girls and women, who can not earn under the arbitrary scale of wages paid more than 6 shillings per week (approximately \$1.50) after having paid all their running expenses, as before referred to.

It is a well-known fact that Parliament recognized that it was a national disgrace to have women working at the forge making chain, and some years ago the British Parliament appointed a committee to investigate the employment of women to manufacture chain, with the end in view of passing a law forbidding girls and women working at the forge making chain. This brought about great distress and nearly an uprising in the Black District, where the women maintained that they had the right to earn their own living, that they had no other trades, that they and their mothers and grandmothers for generations back have worked at this trade, and they insisted upon the right to labor at their chosen avocation.

Physicians employed by the committee from Parliament reported that no physical injury followed the making of small chains by women and girls, and the committee therefore had no grounds on which to report back to Parliament that a law should be enacted preventing the employment of females in this branch of industry. Comparing the American wages on this class of work, your honorable committee will readily see that the American manufacturer of these small chains is seriously handicapped by the difference in wages paid abroad and here, as chain makers of this class of chain in this country earn from \$1.50 to \$2.50 per day, according to size of chain. This fact is proven by the selling price of the foreign manufacture, as recently quoted f. o. b. Liverpool.

English prices, f. o. b. Liverpool.

Sizes.	Per 112 pounds.	Per 100 pounds.
1/4-inch.....	¹ 14/6	\$3.48
1/2-inch.....	² 12/0	2.65
3/4-inch.....	² 12/9	2.47
1-inch.....	² 12/3	2.33
1 1/4-inch.....	² 12/3	2.33
1 1/2-inch.....	² 11/0	2.26
1 3/4-inch.....	² 11/8	2.17
2-inch.....	² 10/0	2.07
2 1/4-inch.....	² 10/6	2.02
2 1/2-inch.....	² 10/6	2.02

¹ Net.

² Less 10 per cent.

In comparison therewith we attach the present average cost prices, Exhibit A, for this grade of chain. The present production of chain in the United States during 1908 is less than 60 per cent of that of 1907. The industry is sadly depressed, and if undue reduction is made in tariff, so as to allow the free importation of English chain, there are but two courses left to the chain manufacturer in this country, and they are to reduce the price of labor or discontinue the business. The effect of a radical reduction in the tariff would be, in our opinion, first, a reduction in the price paid to laborers; second, a reduction of the number of employees, which would mean that the skilled chain maker, having no work at his trade in which he has spent his life, would be driven down to work as a day laborer and at a day laborer's wages.

EXHIBIT A.

CHAINS—IRON OR STEEL.

The following tables are made up by comparing the average of actual English or foreign selling prices f. o. b. Liverpool, as compared with the actual average cost of American manufacturers delivered to New York City in both instances. American costs given, do not, however, include any profit whatever. American costs compared with foreign selling prices are in each case figured on the same sizes in each group, and are as the Ways and Means Committee requested, selling prices ruling on English chain during 1907, and the American costs are the costs for 1907.

Size chain (per 112 pounds).	Per 100 pounds f. o. b. Liverpool.	Per 100 pounds New York.	
		Average foreign selling price f. o. b.	Average American cost.
2 inches and larger.....	13/-	\$2.80	
Freight, insurance, and wharfage.....		.18	
Proposed duty $\frac{1}{4}$ cent per pound or 30 per cent ad valorem.....		.87 $\frac{1}{2}$	
		3.85 $\frac{1}{2}$	\$3.66
Less than 2 inches but not less than $\frac{1}{4}$ inch.....	14/-	3.00	
Freight, insurance, and wharfage.....		.20	
Proposed duty 1 cent per pound or 40 per cent ad valorem.....		1.20	
		4.40	4.20
Less than $\frac{1}{4}$ inch but not less than $\frac{1}{8}$ inch.....	19/5 $\frac{1}{2}$	4.17	
Freight, insurance, and wharfage.....		.20	
Proposed duty $1\frac{1}{4}$ cents per pound or 60 per cent ad valorem.....		2.50	
		6.87	7.25
Less than $\frac{1}{8}$ inch but not less than $\frac{1}{16}$ inch.....	30/4	6.50	
Freight, insurance, and wharfage.....		.22	
Proposed duty 2 cents per pound or 60 per cent ad valorem.....		3.90	
		10.62	11.55

Size chain (per 100 pounds).	Per 100 pounds f. o. b. foreign point of shipment at seaboard.	Foreign selling price per 100 pounds.	American cost per 100 pounds.
Less than $\frac{1}{4}$ inch chain of any description containing not more than 12 links per foot.....	\$3.48	\$6.66	\$7.32
Freight, insurance, and wharfage.....	.18		
Proposed duty 3 cents.....	3.00		
Average weight per 100 feet, 23 pounds.....	6.00	9.85	10.60
Sizes 2/0 to No. 2, freight, insurance, and wharfage.....	.25		
Proposed duty 3 cents per pound or 60 per cent ad valorem.....	3.60		
Less than $\frac{1}{4}$ inch chain of any description containing more than 12 links per foot:			
Average weight per 100 feet, sizes 2/0 to No. 2, 23 pounds.....	11.00	21.15	23.50
Freight, insurance, and wharfage.....	.25		
Proposed duty 5 cents per pound or 90 per cent ad valorem.....	9.90		

Foreign selling prices of hammered chain compared with American common coil chain costs.

	English prices per 112 pounds f. o. b. Liverpool.	United States cost f. o. b. New York.
1/4 inch, 12 links per foot, 14/6.....	\$3.48	
Freight, insurance, and wharfage.....	.18	
Proposed duty.....	3.00	
	6.66	7.49
Less than 1/4 inch but not less than 1/8 inch. Average 13/3.....	2.56	
Freight, insurance, and wharfage.....	.18	
Proposed duty.....	2.00	
	4.74	4.91
Less than 1/4 inch but not less than 1/8 inch, average.....	2.22	
Freight, insurance, and wharfage.....	.18	
60 per cent proposed duty.....	1.83	
	3.73	3.48
Less than 1/4 inches but not less than 1/8 inch, average.....	2.03	
Freight, insurance, and wharfage.....	.16	
Proposed duty 1 cent per pound.....	1.00	
	3.19	2.97

EXHIBIT B.

Comparative wage schedule paid foreign and American union chain makers for the year 1907.

Chain known in factory as—

1/4-inch to 1/2-inch.....	{English—"Best." American—"Crane."
1/2-inch to 1 1/2-inch.....	{English—"Special Best" American—"Dredge."
2-inch and larger, known in both countries as.....	"Stud link."

Sizes.	Foreign 6/ list.				American factory or inworkers, 100 pounds.
	Outworkers.		Factory or inworkers.		
	112 pounds.	100 pounds.	112 pounds.	100 pounds.	
1/4-inch or No. 3.....	35/2	\$8.44-\$7.53	26/5	\$3.35-\$5.66	\$9.97
1/2-inch or No. 2.....	26/10	6.44- 5.75	20/11	5.02- 4.48	9.14
3/4-inch.....	19/6	4.68- 4.18	14/7	3.40- 3.03	5.78
1-inch.....	13/-	3.12- 2.78 1/2	9/9	2.34- 2.09	4.23
1 1/4-inch.....	10/3	2.46- 2.19	7/8	1.84- 1.64	3.63
1 1/2-inch.....	7/11	1.90- 1.70	5/11	1.42- 1.27	3.12
2-inch.....	6/3	1.50- 1.34	4/8 1/2	1.13- 1.01	2.34
2 1/4-inch.....	5/5	1.30- 1.16	4/0 1/2	.97- .896	1.94
2 1/2-inch.....	4/10	1.16- 1.03	3/7 1/2	.87- .777	1.64
3-inch.....	4/3	1.02- .90	3/2	.76- .68	1.37
3 1/2-inch.....	3/10	.92- .82	2/10 1/2	.69- .61	1.14
4-inch.....			3/2 1/2	.77- .69	1.27
4 1/2-inch.....			3/2 1/2	.77- .69	1.14
5 to 1 1/2 inch.....			3/3 1/2	.79- .71	1.14
2-inch.....			2/3	.54- .48	.67
2 1/4-inch.....			2/3	.54- .48	.67
2 1/2-inch.....			2/4	.56- .50	.70
3-inch.....			2/5	.58- .52	.75
3 1/2-inch.....			2/7	.62- .53 1/2	.75
4-inch.....			2/8	.64- .57	.84
4 1/2-inch.....			2/9	.66- .59	.95
5-inch.....			2/11	.70- .63	1.08

The foregoing arguments and exhibits being actual facts, all of which can be verified, are, we believe, the strongest arguments that can be made for an entirely new schedule on chain to be included in the new tariff schedule which is being prepared, being based on actual costs of manufacture abroad as against the costs of the American manufacturer.

Exhibit A is figured out, as shown thereon, based on foreign selling prices plus the proposed duty to be levied under the new revision. We appeal to your honorable committee that in view of the foregoing you will insert in your proposed revision of tariff to be submitted to the new Congress and urge the passage of the proposed chain schedule as annexed, which schedule is submitted in accordance with the request of your honorable chairman, Mr. S. E. Payne, to the undersigned when appearing before your committee on November 27, 1908.

PROPOSED SCHEDULE.

Chain or chains, of all kinds, made of iron or steel not less than 2 inches in diameter, seven-eighths cent per pound; but no chain of any description of these sizes shall pay a lower rate of duty than 30 per cent ad valorem.

Chain or chains, of all kinds, made of iron or steel less than 2 inches but not less than thirteen-sixteenths of an inch diameter, one cent per pound; but no chain or chains of any description of these diameters shall pay a lower rate of duty than 40 per cent.

Chain or chains, of all kinds, made of iron or steel less than thirteen-sixteenths of an inch but not less than thirteen thirty-seconds of an inch in diameter, 1½ cents per pound; but no chain or chains of any description of these diameters shall pay a lower rate of duty than 60 per cent ad valorem.

Chain or chains, of all kinds, made of iron or steel less than thirteen thirty-seconds of an inch but not less than one-fourth of an inch in diameter, 2 cents per pound; but no chain or chains of any description of these diameters shall pay a lower rate of duty than 60 per cent ad valorem.

Chain or chains, of all kinds, made of iron or steel less than one-fourth inch in diameter, containing not more than 12 links per foot, 3 cents per pound; but no chain or chains of any description of these diameters and length of link shall pay a lower rate of duty than 60 per cent ad valorem.

Chain or chains, of all kinds, made of iron or steel less than one-fourth inch in diameter, containing more than 12 links per foot, 5 cents per pound; but no chain or chains of any description of these sizes and length of link shall pay a lower rate of duty than 90 per cent ad valorem.

COMPARISON OF WAGE LIST, ENGLISH AND AMERICAN.

ALL HANDMADE CHAIN.

English prices are for outworkers who furnish their own fuel and factory, while American wages are net to the workman and do not include overhead charges.

Wage scale below is figured on a basis of 100 pounds at \$4.84 per pound sterling.

American wages given below are the minimum wages paid by all American manufacturers, being, in fact, the National Chain Makers' Union scale.

Sizes.	BB		BBB	
	Ameri- can.	English 5/- list.	Ameri- can.	English.
No. 2 (½-inch).....	\$7.25	20/6 (4.39)	\$8.14	23/- (4.92)
1-inch.....	4.84	14/- (2.96)	5.78	16/- (3.43)
¾-inch.....	3.30	11/8 (2.46)	4.23	10/8 (2.29)
⅝-inch.....	2.84	7/8 (1.65)	3.63	8/6 (1.82)
⅜-inch.....	2.49	5/10 (1.25)	3.12	6/6 (1.36)
⅓-inch.....	2.07	5/3 (1.13)	2.78	5/10 (1.25)
⅔-inch.....	1.87	4/8 (1.00)	2.34	5/2 (1.11)
⅑-inch.....	1.50	4/- (.86)	1.94	4/4 (.93)

Quotation from Fellows Bros., Cradley Heath, England, Oct. 11, 1907.

[Prices now a little lower in 1912 than 1907.]

Best best proved short-link dollied crane chain (No. 8) (No. 2), W. G. (per hundredweight):

$\frac{1}{2}$ inch.....	49/6
$\frac{3}{4}$ inch.....	\$10. 61
$\frac{7}{8}$ inch.....	39/9
$\frac{1}{2}$ inch.....	\$8. 34
$\frac{1}{4}$ inch.....	32/0
$\frac{1}{2}$ inch.....	\$6. 86
$\frac{1}{4}$ inch.....	27/6
$\frac{1}{2}$ inch.....	\$5. 89
$\frac{1}{4}$ inch.....	24/6
$\frac{1}{2}$ inch.....	\$5. 21
$\frac{1}{4}$ inch.....	22/9
$\frac{1}{2}$ inch.....	\$4. 88
$\frac{1}{4}$ inch.....	20/0
$\frac{1}{2}$ inch.....	\$4. 29
$\frac{1}{4}$ inch.....	18/9
$\frac{1}{2}$ inch.....	\$4. 02
$\frac{1}{4}$ inch.....	17/6
$\frac{1}{2}$ inch.....	\$3. 75
$\frac{1}{4}$ inch.....	16/9
$\frac{1}{2}$ inch.....	\$3. 59
$\frac{1}{4}$ inch.....	15/9
$\frac{1}{2}$ inch.....	\$3. 88
$\frac{1}{4}$ inch.....	15/3
1 inch.....	\$3. 27
$\frac{1}{2}$ inch.....	14/7
$\frac{1}{4}$ inch.....	\$3. 16
$\frac{1}{2}$ inch.....	14/5
$\frac{1}{4}$ inch.....	\$3. 13
$\frac{1}{2}$ inch.....	14/5
$\frac{1}{4}$ inch.....	\$3. 13
$\frac{1}{2}$ inch.....	14/5
$\frac{1}{4}$ inch.....	\$3. 13

Best best best proved short-link dollied crane chain (No. 3) (No. 2), W. G. (per hundredweight):

$\frac{1}{2}$ inch.....	50/0
$\frac{3}{4}$ inch.....	40/6
$\frac{7}{8}$ inch.....	32/6
$\frac{1}{2}$ inch.....	28/0
$\frac{1}{4}$ inch.....	25/0
$\frac{1}{2}$ inch.....	23/3
$\frac{1}{4}$ inch.....	20/6
$\frac{1}{2}$ inch.....	19/3
$\frac{1}{4}$ inch.....	18/0
$\frac{1}{2}$ inch.....	17/3
$\frac{1}{4}$ inch.....	16/3
$\frac{1}{2}$ inch.....	15/9
1 inch.....	15/1
$\frac{1}{2}$ inch.....	14/11
$\frac{1}{4}$ inch.....	14/11
$\frac{1}{2}$ inch.....	14/11

Best best pulley block chains Weston's pitch (polished), 16, 16, 13, 13, 13, leaks per foot (per hundredweight):

No. 4.....	51/0
No. 3.....	48/0
No. 2.....	38/0
$\frac{1}{2}$ inch.....	34/6
$\frac{1}{4}$ inch.....	28/6
$\frac{1}{2}$ inch.....	23/6
$\frac{1}{4}$ inch.....	22/6

Sizes $\frac{1}{2}$ inch and larger, $\frac{1}{4}$ inch full.

Delivered f. o. b. Liverpool, less $2\frac{1}{2}$ per cent cash monthly.

Quotation from Samuel Woodhouse, Cradley Heath, Staffordshire, Mar. 19, 1907.

[Prices some little higher than offered at in 1912.]

Best short-link crane chain, all sizes dollied, privately tested, and carefully examined (per hundredweight):

$\frac{1}{2}$ inch (No. 4).....	53/-
$\frac{3}{4}$ inch (No. 2).....	38/-
$\frac{7}{8}$ inch (No. 1).....	34/6
$\frac{1}{2}$ inch.....	26/-

$\frac{1}{2}$ inch.....	26/6
$\frac{3}{4}$ inch.....	19/6
$\frac{7}{8}$ inch.....	18/-
$\frac{1}{2}$ inch.....	17/-
$\frac{1}{4}$ inch.....	16/6
$\frac{1}{2}$ inch.....	16/3
$\frac{1}{4}$ inch.....	16/-

D. D. f. o. b. Liverpool, less $2\frac{1}{2}$ per cent.

Quotation from Samuel Woodhouse, Cradley Heath, Staffordshire, England, Dec. 6, 1907

[Prices now (1912) offered are a little lower than in 1907.]

B. B. B. short-link crane chain, tested and carefully examined (per hundredweight):

No. 4.....	52/-
No. 3.....	45/-
No. 2.....	37/6
No. 1.....	34/-
$\frac{1}{2}$ inch.....	29/6
$\frac{1}{4}$ inch.....	26/-

$\frac{1}{2}$ inch.....	24/-
$\frac{3}{4}$ inch.....	22/6
$\frac{7}{8}$ inch.....	21/3
$\frac{1}{2}$ inch.....	20/-
$\frac{1}{4}$ inch.....	19/-
$\frac{1}{2}$ inch.....	18/-
$\frac{1}{4}$ inch.....	17/6
$\frac{1}{2}$ inch.....	17/3
$\frac{1}{4}$ inch.....	17/-

All prices subject to $2\frac{1}{2}$ per cent discount f. o. b. Liverpool, as before.

758 DUTIES ON METALS AND MANUFACTURES OF METALS.

Quotation, all strictly handmade.

Sizes.	B. B., Mar. 19, 1907.			B. B. B., Dec. 6, 1907.		
	F. o. b. New York, expense and duty paid.	100 pounds.	5/0 list, 112 pounds.	F. o. b. New York, expense and duty paid.	100 pounds.	5/0 list, 112 pounds.
$\frac{1}{4}$ (No. 1) inch.....	\$12.22	\$8.15	\$8/0	\$13.02	\$8.68	40/6
$\frac{1}{2}$ inch.....	8.35	5.57	26/0	10.45	5.97	32/6
$\frac{3}{4}$ inch.....	6.90	4.60	21/6	8.20	5.47	25/0
1 inch.....	6.25	4.17	19/6	6.60	4.40	20/6
$1\frac{1}{4}$ inch.....	5.80	3.87	18/0	6.18	4.12	19/3
$1\frac{1}{2}$ inch.....	5.46	3.64	17/0	5.79	3.88	18/0
$1\frac{3}{4}$ inch.....	5.31	3.54	16/6	5.55	3.70	17/3
2 inch.....	5.14	3.43	16/0	5.25	3.50	16/3

German pattern coil chain, in 100-foot packages.

	Sizes.				
	2/0	1/0	No. 1	No. 2	No. 3
Weight, in pounds.....	32	23	17 $\frac{1}{2}$	13 $\frac{1}{2}$	10
List.....	\$10.00	\$8.80	\$7.50	\$7.20	\$6.80
Discount for import, 70-10-10 per cent.....	\$3.43	\$2.14	\$1.90	\$1.75	\$1.65
Present American selling prices f. o. b. New York....	\$2.50	\$2.26	\$2.11	\$2.05	\$2.04

Based on present wage scale, which, owing to depression, went into effect July 1 this year.

German pattern machine chain, per 100 feet.

	Size or number.			
	2/0	1/0	No. 1	No. 2
Links per foot.....	18	20	22	24
Weight, in pounds.....	38	27	25	22
American selling price.....	\$5.80	\$6.85	\$7.00	\$6.50
Import price, German manufacture.....	\$5.27	\$5.06	\$4.96	\$4.67
Import price, English manufacture.....	\$4.50	\$4.50		

Hand-made block chain for hoists.

	112 pounds.	100 pounds.	F. o. b. New York, duty and ex- pense paid (per 100 pounds).
$\frac{1}{4}$ inch, No. 5.....	50/-	\$12.64	\$18.96
$\frac{1}{2}$ inch, No. 4.....	50/-	10.71	16.06
$\frac{3}{4}$ inch, No. 3.....	42/6	9.11	13.61
$1\frac{1}{4}$ inch, No. 2.....	36/-	7.71	11.56
$1\frac{1}{2}$ inch.....	31/-	6.65	9.97
2 inch.....	26/-	5.68	8.53

Comparison of English and American prices per 100 pounds, f. o. b. New York.

	No. 5.	No. 4.	No. 3.	No. 2.	1½ inch.	1 inch.
American.....	\$35.00	\$30.00	\$26.50	\$22.00	\$15.00	\$11.50
English.....	18.96	16.06	13.61	11.56	9.97	8.52
Handicap.....	16.04	13.94	12.89	10.44	5.03	2.98

From the foregoing comparison of prices f. o. b. New York City and of wages paid in the United States and England, it is clearly shown that the duty on hand-made chain three-fourths inch and lighter is entirely inadequate to protect the American manufacturer and workmen, and the only recourse is to reduce the rate of wages paid or increase the duty, or the third alternative of relinquishing the business to the foreign makers.

GERMAN PATTERN MACHINE CHAIN.

In this branch of the industry a peculiar condition exists, as labor represents from 48 to 92 per cent of the cost. The American prices are higher for the lighter sizes, as the number of welds per foot is greater, whereas with the German and English makers the price is lower for the lighter sizes. The same condition applies in a smaller degree in the German pattern coil and halter chains.

We therefore beg that if any change be made in the existing tariff on chain that the rate of duty be increased on hand-made crane chains of three-fourths inch and lighter material, and on German pattern coil and halter chains and German pattern machine chains on sizes 2/0 and lighter the tariff be increased sufficiently to properly protect the American manufacturer and workmen on these lines of products.

All of which is respectfully submitted.

WOODHOUSE CHAIN WORKS,
Trenton, N. J.

STATEMENT OF MR. W. P. WORTH, OF COATESVILLE, PA., REPRESENTING WORTH BROS. CO.

The CHAIRMAN. Mr. Worth, will you state to the committee in what paragraph of the bill you are interested?

Mr. WORTH. Paragraph 4—boilers; also tubes and pig iron.

The CHAIRMAN. Go on in your own way, Mr. Worth.

Mr. WORTH. We manufacture pig iron, plates, and boiler tubes. I am here merely to protest against any change in the present tariff. We have worked under it but a short time. Our duties were reduced under the present tariff, and it certainly would be a great hardship to have any such reduction of duties as is proposed in the new bill.

Senator CLARK. What is the present tariff?

Mr. WORTH. The present tariff on plates is 15 per cent, I think.

Senator CLARK. That is the proposed tariff, too.

Mr. WORTH. I say, that is the proposed tariff.

Senator CLARK. I asked for the present tariff.

Mr. WORTH. The present tariff starts with three-tenths of a cent, and is graduated, scaled up, according to the price.

Senator CLARK. Can you reduce that to ad valorem?

Mr. WORTH. It is reduced to ad valorem in this bill.

Senator CLARK. I say, can you reduce it to ad valorem?

Mr. WORTH. It would amount to about \$3, as against a rate to-day, I suppose, of about \$8 at present prices. It is more than cutting it in two. We are, of course, right here on the seaboard. We have no trade in the West. We can not hope for much trade there, on account of the freights being against us, and we would be most greatly

affected. Of course the western mills have their inland charge from the seaboard to the West.

Senator HEYBURN. What do you call the West?

Mr. WORTH. Anything beyond the mountains.

Senator HEYBURN. Which mountains?

Mr. WORTH. The Alleghenies.

Senator McCUMBER. The ad valorem rate is 37.68 per cent under the present tariff.

Mr. WORTH. Yes; that is about right, I should say. I should say it is cut more than half.

Senator McCUMBER. The House bill reduces it to 20 per cent.

Mr. WORTH. Yes—15 per cent, I think, sir. It was afterwards changed to 15 per cent.

Senator HEYBURN. I was inquiring about the Underwood bill.

Senator CLARK. The table is given here on page 10.

Senator HEYBURN. It is divided differently.

The CHAIRMAN. You are addressing yourself to paragraph 4, you say?

Mr. WORTH. Yes. It is on page 3 of this print.

Senator McCUMBER. The equivalent ad valorem for 1911 under the Payne tariff, under section 4, was 37.68 per cent.

Senator SIMMONS. On what? I was not here when this gentleman began his statement.

Senator McCUMBER. Articles covered under section 4—boiler or other plate iron or steel.

Senator SIMMONS. That is ad valorem?

Senator McCUMBER. Ad valorem.

Senator HEYBURN. It is three-tenths of a cent a pound under existing law.

Mr. WORTH. It starts with three-tenths of a cent a pound and is graduated.

I have felt that with the Tariff Board investigating these matters, if there is any possible chance to make a change later, after all the information is in, it will be time enough to do it then. But we have been working under this law only a very short time, and it made quite a reduction from the former duties; and to make any such radical change as this would practically put us out of business.

Senator HEYBURN. It was a reduction of two-tenths, or one-fifth, of a cent a pound. The duty under the act of 1897, the Dingley tariff, was five-tenths of a cent, and the act of 1899 provided a duty of three-tenths of a cent a pound.

Mr. WORTH. That is it. I say we have already suffered a big reduction. If, now, you cut that in half, we are going down too rapidly.

Senator SIMMONS. Did the former reduction result in any increase in importations to this country?

Mr. WORTH. I do not know that it did, because the conditions during the time this bill has operated have been against any importations. You know they have had a very high market on the other side, and we have had a very low market here.

Senator SIMMONS. You do not mean by that that the market over there has been higher than it has been here, do you?

Mr. WORTH. Oh, very much higher proportionately. They have had good business there, whereas we have had poor business here.

Senator SIMMONS. Relatively, you mean?

Mr. WORTH. Relatively; yes. Of course there would not be any opportunity for importations under those conditions. If you reverse them, and we happen to get into good business here again, and they should be in poor business, then you would see that stuff come over here at once. That is what we want to guard against, because we can not make any money to-day, and we want to get into a position where we can.

Senator SIMMONS. But, as a matter of fact, the reduction of the duty from five-tenths to three-tenths of a cent did not result in increasing the importations?

Mr. WORTH. No; not to any large extent. The conditions did not warrant it at all.

Senator SIMMONS. There are practically no importations now, are there?

Mr. WORTH. I think not. But you can see at once that if the relative conditions change and we have this reduction in duty too, we will simply be put out of business on the coast. We have built up quite an industry, and we have quite a great many men and their families dependent on us. The little town I come from has increased as much, I guess, as any town in our State in the last 10 years.

Senator SIMMONS. The word "boilers" means iron or steel that enters into the construction of boilers?

Senator CLARK. It is not "boilers."

Senator SIMMONS. Boiler plate?

Mr. WORTH. Yes, sir.

Senator SIMMONS. I do not want to take up much time here, but as I have asked you whether there are any importations, I should like to know in the same connection, and as part of the same subject matter—or, rather, as pertinent to the same inquiry—if there have been any exportations in the last year or two; and if so, how much?

Mr. WORTH. There has been quite a considerable amount exported. The United States Steel Corporation, of course, export very largely. We have not gone into that. We have sent some little material recently down to New South Wales, but we do not make a general business of exporting. We have not gone into that very thoroughly.

Senator SIMMONS. But there is a very large export?

Mr. WORTH. There is quite an amount of tonnage going out of the country.

Senator SIMMONS. Where does it go to? Do you know?

Mr. WORTH. I think south, to South America and Australia. I do not think there is a very large amount of it going into England, although in times past we have exported plates to Scotland. That was a pretty hard thing to do, and I assure you we made no money out of it.

Senator HEYBURN. If you can compete with the Scotch, you are pretty safe.

Mr. WORTH. It was more of a card than anything else.

Senator CLARK. When did this exportation occur?

Mr. WORTH. Which one?

Senator CLARK. The one you have just spoken of.

Mr. WORTH. To New South Wales, do you mean?

Senator CLARK. No; to Scotland.

Mr. WORTH. Let me see. That must have been eight years ago, I guess; something like that.

Senator CLARK. Has there been none since?

Mr. WORTH. No; we have never made but the one lot. We were very anxious to have it increased, but we found it was quite a loss to us.

Senator CLARK. How did you come out on it?

Mr. WORTH. We made a loss. It was shipped to the Babcock & Wilcox people, who have quite a boiler plant here. I think that is the parent plant over there, and they wanted our plates there. But we found we could not do it at all, and it resulted in a heavy loss to us.

Senator SIMMONS. This large exportation that you speak of is not a new thing? It has been going on for years?

Mr. WORTH. The corporation are increasing that all the time. They are increasing their export business.

Senator SIMMONS. Do they not export quite considerably to European countries?

Mr. WORTH. As I understand, they do. I have not followed that up. They, of course, could tell you definitely about those matters.

We were buyers of pig iron until a few years ago, and now we are making our own. The duty on that was changed, you know, from \$4 to \$2.50. We feel that that is as low as it should go. I can not see any reason for a change in the duty. I think we are down now as low as we can get. Of course, some people talk about free ore, because it is a raw material. The change from 40 cents to 15 cents has been of great assistance to the people in the East.

Senator CLARK. Are you a buyer of iron ore?

Mr. WORTH. Yes.

Senator CLARK. Where do you get it?

Mr. WORTH. We are getting some Jersey ore. We are getting some Spanish ore. We get some from the Lakes. We are getting some Nova Scotia ore, and we are expecting to get some ore from Texas in a short time, around by boat. Of course, the western people have a great advantage over us in having their own mines. Those fields have been largely corralled by the corporation, you know, and other large interests of the West, and we of the East are not interested out there.

Senator CLARK. Do you buy any ore from the Steel Corporation?

Mr. WORTH. No; they do not sell any ore. We have to buy it from the independent operators up there.

Senator CLARK. Do you get any from Cuba?

Mr. WORTH. No; we have not used any from Cuba. We came very near buying some this year, but we did not quite get together on price.

Senator CLARK. Is there much of a production of ore in Cuba, aside from the Bethlehem plant?

Mr. WORTH. The Pennsylvania Steel Co. are operating more largely there than anyone else, I think. The north coast ore is the soft ore, in the Mayari district. That is a poor-grade ore, and it is filled with nickel and chrome. They have a good many things to work out there.

Senator CLARK. You buy your ore indiscriminately, to the best advantage?

Mr. WORTH. Yes; wherever we can get it. We have no interests in coal mines or ore properties. Aside from that, I think we are as well situated as any of the mills. Our machinery is as good as any.

Senator CLARK. What is the name of your corporation?

Mr. WORTH. Worth Bros. Co.

Senator CLARK. What is the capitalization of your concern?

Mr. WORTH. \$250,000.

Senator CLARK. What is your annual output?

Mr. WORTH. We have increased quite a little and put up some additional furnaces since the business has fallen off. The largest output we have ever made was about 225,000 tons per year.

Senator CLARK. What is your capacity?

Mr. WORTH. Now we can make about 350,000 tons.

Senator CLARK. How many men do you employ?

Mr. WORTH. We operate from about 2,500 to 3,700. We are running from about 2,200 to 2,500 now. Part of that is at our tube works.

Senator CLARK. What dividends have you been paying?

Mr. WORTH. We only have \$250,000 capital, and ours is a family concern. There are only four or five stockholders in it. The stock is not on the market at all. There is only one share held outside of the family, and that is held by the attorney of the family.

Senator SIMMONS. That stock represents the investment which you have in the plant, does it not?

Mr. WORTH. It represents the money that the family put in at the risk of the business.

Senator SIMMONS. It represents all the money you put in there, does it not?

Mr. WORTH. Yes; it represents the money that was put in originally.

Senator SIMMONS. The dividends you pay on that stock would to some extent measure your profits, I should say. What are those dividends?

Mr. WORTH. We have paid 30 per cent for a long while. We did not pay anything at the start, and then we have been paying 30 per cent regularly.

Senator CLARK. What is the book value of your plant at the present time?

Mr. WORTH. Do you mean the money invested or the real estate?

Senator CLARK. I mean the value of your plant, growing out of this original investment of \$250,000.

Mr. WORTH. It is between seven and seven and a half million dollars.

Senator CLARK. What I wanted to get at was that while dividends of 30 per cent on \$250,000 would show that you were doing a remarkably good business and did not need much protection; if your plant was worth that much more it would not be so much of a dividend on your real investment.

The CHAIRMAN. When did you start your works?

Mr. WORTH. They were started by my father, I think, about 1851.

The CHAIRMAN. For a long period they did not pay anything, did they?

Mr. WORTH. They did not pay anything at all.

The CHAIRMAN. For how long?

Mr. WORTH. Oh, I do not know. We came pretty near failing there at one time. My father's partner did fail, and we were down in the depths for a good while. Finally, after about 1899, we commenced to get on our feet. We did not make much money until then.

Senator SIMMONS. I do not know whether I have misunderstood you, but a little while ago, in response to an inquiry I made I understood you to say that the only money you had put in was represented by your stock.

Mr. WORTH. Yes.

Senator SIMMONS. Then the value of your plant to-day, as compared with what it originally cost, must represent the earnings that have gone back into the business.

Mr. WORTH. That is right.

Senator SIMMONS. You started with \$250,000?

Mr. WORTH. And some borrowed money, which was put in to make the plant with, you know.

Senator SIMMONS. That is the only amount you have ever actually invested in it, however?

Mr. WORTH. Yes, sir.

Senator SIMMONS. And that plant, you say, is now worth six or seven millions?

Mr. WORTH. About six or seven million dollars, book value. We could not sell it for anything to-day, probably.

Senator SIMMONS. And you are paying dividends now of 30 per cent, upon what?

Mr. WORTH. Upon the original investment.

Senator SIMMONS. Of \$250,000?

Mr. WORTH. We pay \$75,000 every year in dividends.

Senator SIMMONS. You are now getting 30 per cent upon the amount you actually put in; and, as representing a \$250,000 investment, you have a plant worth \$7,000,000?

Mr. WORTH. Yes.

Senator SIMMONS. That is what you have made in this business?

Mr. WORTH. Yes.

Senator SIMMONS. That is all right, then. I want to get back to the matter of ore. I believe you said you bought your ore?

Mr. WORTH. We have no ore holdings.

Senator SIMMONS. You buy a small part of it in this country, but you import the bulk of it?

Mr. WORTH. No; I can not say that. I think possibly at present we are importing about 33 $\frac{1}{3}$ per cent of it.

Senator SIMMONS. The duty on ore was reduced in the Payne-Aldrich bill?

Mr. WORTH. Yes.

Senator SIMMONS. It is proposed in this bill to reduce it further. That is a revenue duty, is it not; that is, it is a revenue duty in this sense: The duty on ore does not affect the price of American ore to any considerable extent, does it? I mean, as a result of lowering the duty on ore the price of American ore has not fallen?

Mr. WORTH. The price of ore has not been lowered very much until this year. It will be reduced this year.

Senator SIMMONS. Is that on account of the tariff?

Mr. WORTH. No; it is on account of poor business.

Senator SIMMONS. The point I was making was this, and I wanted to get your views about it: I, myself, had been disposed to think that the duty on iron ore was a revenue duty, in view of the fact that we do not import much, and we have such large deposits on this country, that it really did not afford any protection, or, if any, very little, to

the price of iron ore in this country, and therefore that it was a revenue duty as distinguished from a protective duty.

Mr. WORTH. Yes; I think it is practically a revenue measure to-day. I do not know that the iron-ore producers of the Northwest require very much protection, because they have such fine bodies of ore there, and can produce so cheaply.

Senator SIMMONS. In other words, if you should take off all the duty on iron ore, the iron ore of this country would sell for about the same price?

Mr. WORTH. I presume it would. They can undersell the foreign market, if they wish to, in this country. There is no doubt about that. The ore producers of the Northwest can do that. I presume that in the case of the producers close by here, in New Jersey, the duty is a protection to them.

Senator HEYBURN. Do you mean the duty on the ore?

Mr. WORTH. On the ore. No doubt it is a protection to the New Jersey operators.

Senator SIMMONS. It is not a protection to any other operators?

Mr. WORTH. I do not think it is any protection to those in the West; no.

Senator HEYBURN. Do you say that the duty on the iron ore is not a protection to or does not enter into the protection of any of the manufactured articles made from iron?

Mr. WORTH. I feel this way about iron ore: The western producers of finished material of course use their own ore, so that they do not buy any foreign ore.

Senator HEYBURN. They make your price, do they not, on the products?

Mr. WORTH. No. I think perhaps the foreigners help make the price. With the duty where it is to-day, the Northwest probably will have to change its price to the East in order to get in.

Senator HEYBURN. If, to-morrow, the United States Steel Corporation were to announce a reduction on any of the products that both you and they make, you would have to follow them, would you not?

Mr. WORTH. Yes; we would, unless we made some specialty.

Senator HEYBURN. I am speaking aside from special contracts or special articles. If they advanced the price on any manufactured article, you would follow them, would you not?

Mr. WORTH. Yes; the same as we would follow Jones & Laughlin, or the Lackawanna Steel Co., or any of the others.

Senator HEYBURN. If you were to advance the price, would not the United States Steel Corporation follow you?

Mr. WORTH. Yes; I guess they would, very quickly, if we should lower it.

Senator HEYBURN. No; I say if you should advance it? I know they would follow you if you lowered it—that is, probably they would. But suppose you undertook to advance the price, would they follow you?

Mr. WORTH. They will do so to a certain point, and then they will stop.

Senator HEYBURN. If your business should become so unprofitable, because of tariff legislation or from any other cause that you had to make it up by an advance in your selling price, you would be helpless as against the United States Steel Corporation, would you not?

Mr. WORTH. The United States Steel Corporation can produce more cheaply than the rest of us.

Senator HEYBURN. Not only that, but they might practically prevent you from advancing the price of your product for the purpose of enabling you better to compete with the imports?

Mr. WORTH. Oh, if there were more capacity than business, and they fixed a low level, of course they could put a good many of us out of business.

Senator HEYBURN. They largely own the iron ore, do they not?

Mr. WORTH. Very largely; yes.

Senator HEYBURN. And it is being put on the free list. Under the Dingley Act the duty on iron ore was 40 cents a ton and under the present tariff law it is 15 cents a ton. Do you know what business interests were responsible for securing that reduction in the duty on iron ore?

Mr. WORTH. I guess it was the eastern manufacturers.

Senator HEYBURN. The independents?

Mr. WORTH. The independents.

Senator HEYBURN. That was in order that you might get ore, or because you had some hope or dream that you might get ore, from Cuba, was it not?

Mr. WORTH. Cuba and Spain and Newfoundland.

Senator HEYBURN. Yes; but outside of our own country?

Mr. WORTH. Yes.

Senator HEYBURN. Is there any available supply of iron ore known to exist in our own country to-day—I mean, a supply that is available to the independents?

Mr. WORTH. I do not know of any considerable body. I think ore in this country is very tightly held.

Senator HEYBURN. The Tennessee Coal & Iron Co. is now the property of the United States Steel Corporation, is it not?

Mr. WORTH. So I understand.

Senator HEYBURN. The Tennessee Coal & Iron Co. could produce more cheaply than any of you, could it not?

Mr. WORTH. So I am told.

Senator HEYBURN. And it was a menace in the export market to the only interest that does export from this country. In other words, it could compete in the foreign market with the United States Steel Corporation, and it was the only enterprise that could. Is not that true?

Mr. WORTH. I presume that is so.

Senator HEYBURN. So it was necessary for the United States Steel Corporation to purchase it, not for its effect on the American market, but in order to make it easier for them to compete with the foreign market. That is about the story, is it not?

Mr. WORTH. It would have taken years of development for that to have come about.

Senator HEYBURN. But they got it, and to-day, if you wanted to export—when I say “you” I mean the independent element—you would have to compete with the Tennessee Coal & Iron Co., would you not?

Mr. WORTH. When they had brought their finishing department up to that degree of proficiency, I suppose that is so.

Senator HEYBURN. So that probably the real purpose of its acquisition by "the company," as you call it, was to get rid of that menace. You find them so overwhelmingly predominant, I suppose, that they are "the company" or "the corporation"?

Mr. WORTH. We call them "the corporation"; yes.

Senator CLARK. I think, inadvertently, Mr. Worth made an answer to you that he did not mean. I understood you to say, Mr. Worth, in answer to one of my questions, that you do procure ore from New Jersey?

Mr. WORTH. Yes; we do.

Senator CLARK. I understood from your answer to Senator Heyburn that you procured no domestic ore.

Mr. WORTH. We import about one-third of our consumption.

Senator HEYBURN. I did not understand that he so stated. I think my question was limited and the answer was applicable only to the limitation.

Senator CLARK. I just wanted that cleared up. I so understood it.

Senator HEYBURN. I want to get a little light on this question as between the two factions, one of which we will call "the independents" and the other of which is sometimes called "the trust." "The trust" entirely controls the export trade; does it not?

Mr. WORTH. I do not know that it does. I imagine Jones & Laughlin could go in and export bars just as well as the trust can.

Senator HEYBURN. On an equal footing?

Mr. WORTH. I should think so. I do not see why they are not as well equipped. They have their own ore properties, and their own coal mines, and they are just as well situated, I should think.

Senator HEYBURN. I think they have stated that they could not do so because they do not own transportation lines and a few other accessories.

Mr. WORTH. They would be handicapped in that respect.

The CHAIRMAN. They own their own steamships, do they not, on the Lakes?

Mr. WORTH. I think so; yes, sir.

Senator HEYBURN. How about railroads?

The CHAIRMAN. They have no railroads.

Senator HEYBURN. It has been rumored that the United States Steel Corporation had some controlling interest in railroads. Did you ever hear that rumor?

Mr. WORTH. The rate is being reduced now, I understand, from the mines to the upper lake ports.

Senator HEYBURN. I am merely endeavoring to see who is to be protected—whether it is the manufacturers, without regard to the size of their plants, or whether it is only the dominant factors.

Mr. WORTH. I will say right here that I do not agree at all with the statement made here yesterday by Mr. Snyder's representative. I think a duty of 50 cents on ore would be perfectly ridiculous.

Senator SIMMONS. Why?

Mr. WORTH. Because we in the East would be practically put out of business. We would have no protection. They would not come to us to try to market their ores at a price at which we could compete with other manufacturers if they had a duty of 50 cents a ton on foreign ore. With a 15-cent duty on foreign ore they come down to see us.

Senator HEYBURN. They would have to pay the duty on their foreign ore, would they not? That is, if they owned ore lands abroad, of course they would have to pay duty the same as anybody else?

Mr. WORTH. They do not own any ore lands abroad to amount to much, I guess. I understand they are taking up some little ground in Cuba.

Senator HEYBURN. Do you speak of the iron fields in Cuba as "some little ground?"

Mr. WORTH. Oh, there is plenty of ground there, but you know the quality of the Cuban ore is not the same as we have in this country—that is, the ore found in the north of Cuba. The soft ore is a very different kind of ore to work from the kind you have up in the northern fields.

Senator HEYBURN. Then the radiant dream of those who had been talking about starting ore furnaces for smelting iron ore on the Chesapeake and the Delaware is merely a dream, is it?

Mr. WORTH. No; I think such men as Mr. Schwab will probably work that out yet. I think he and Mr. Felton and such men will probably eliminate the chrome and nickel. They are geniuses in their way, you know; and probably they will work that out and make a good result of it.

Senator CLARK. As a matter of fact, is not Mr. Schwab's plant (the Bethlehem) now getting a very large proportion of its ore from Cuba?

Mr. WORTH. But it is from the southern side, you know—that is, the Santiago district.

Senator CLARK. But it is from Cuba?

Mr. WORTH. Oh, yes, sir.

Senator HEYBURN. There are in the air now all sorts of plans to establish iron furnaces and works at Baltimore, on the Chesapeake waters, and so on, relying on the Cuban supply, which the Government reports is very large. That is the reason I was surprised to hear it spoken of in that way.

Mr. WORTH. It is very large of its kind.

Senator HEYBURN. How far west do you ship your product?

Mr. WORTH. We ship some of it to California.

Senator HEYBURN. What kind?

Mr. WORTH. Plates.

Senator HEYBURN. You make plates; and do you also make steel rails?

Mr. WORTH. No.

Senator HEYBURN. Do you make structural iron?

Mr. WORTH. We do not go into structural iron. I wish we made rails.

Senator HEYBURN. Do you make bars?

Mr. WORTH. We do not go into bars.

Senator HEYBURN. Just plates?

Mr. WORTH. Just plates.

Senator HEYBURN. For what use?

Mr. WORTH. Boilers, bridges, boats, tanks—anything that a plate can be used for.

Senator HEYBURN. You term some bridge material "plates," do you?

Mr. WORTH. The girder plates; yes.

■ Senator HEYBURN. That is shipped "knocked down," as it is called, and riveted together out there, is it?

Mr. WORTH. It is punched and riveted at the point of fabrication.

Senator HEYBURN. You can ship that to the Pacific coast to compete with the importers from Germany and other foreign points; can you?

Mr. WORTH. No; we have trouble there sometimes. The Belgian manufacturers knock us out very largely. I think just at present we are doing almost no business in California. We should do it.

Senator HEYBURN. Do you ship any rolled plates to be made into water pipes?

Mr. WORTH. Yes; that is another use.

Senator HEYBURN. That is one of your principal lines of business?

Mr. WORTH. Yes, sir.

Senator HEYBURN. You ship them for the purpose of making large conduits to carry water in hydraulic schemes, etc.?

Mr. WORTH. Yes, sir.

Senator HEYBURN. Can you compete with the foreign market on the Pacific coast in that line?

Mr. WORTH. At times. At times we can get that trade, and at other times the Belgian mills come in and knock us out.

Senator HEYBURN. That depends on how far it has to be hauled from the coast out there, does it not?

Mr. WORTH. No; sometimes right close by we have difficulty in meeting competition.

Senator HEYBURN. You would have less difficulty in meeting it if it were 500 miles back from the coast, would you not?

Mr. WORTH. I guess there is not very much used 500 miles back. It is principally all along the coast.

Senator HEYBURN. I have personal knowledge of some people that I used to be connected with that bought 10 miles of your material to make a placer-mining pipe; and they were located about 500 miles back from the coast.

Mr. WORTH. Was not all of it fabricated, though, right close to the coast?

Senator HEYBURN. No; it was made on the ground. It came in plates, and was riveted with a riveting machine. That is the reason I want to know whether or not you can compete with the import trade 500 miles back from the coast.

Mr. WORTH. We get that business at times, and at other times we do not. That is the reason I am here to protest against any reduction in the present tariff duties. I think they are just as low to-day as they should go.

Senator HEYBURN. The proposal here is to cut the present duty about in two; is it not?

Mr. WORTH. Yes; a little less than one-half, I believe.

Senator HEYBURN. There is a fraction that I did not figure out. Would that enable you to continue your works and make a profit?

Mr. WORTH. I am afraid that under different conditions we would be very seriously handicapped. I doubt whether we would be able to operate. With a low market there and a better market here for ore and raw materials, I think we would be very seriously injured.

Senator HEYBURN. What proportion of your raw material do you import?

Mr. WORTH. About one-third, I think.

Senator HEYBURN. From where?

Mr. WORTH. From Nova Scotia and from Spain.

Senator HEYBURN. How would you divide that—more from Nova Scotia than from Spain?

Mr. WORTH. Yes; I think at present we are putting from 20 to 25 per cent of Nova Scotia ore into our mix.

Senator HEYBURN. Is it of any special character that you need, or is it an average grade of ore?

Mr. WORTH. It is a very, very good hematite ore.

Senator HEYBURN. Is Nova Scotia as close as you can get hematite ore?

Mr. WORTH. Yes; unless we were to get it from the Lakes.

Senator HEYBURN. Do you get any from down in the Tennessee and Kentucky country?

Mr. WORTH. No; that is too silicious. We do not want that. It costs too much to make it up.

Senator HEYBURN. There is plenty of it there?

Mr. WORTH. Yes; I guess there is just the same as down in Cuba. There is plenty of that, too, on the north coast of Cuba.

Senator HEYBURN. Is that the objection to Cuban ore—that it is silicious?

Mr. WORTH. It is siliceous, and then it is filled with chrome and nickel.

Senator HEYBURN. What other industry is connected with yours in your works at Coatesville?

Mr. WORTH. We have two operations there—one where we make pig iron and plates and the other where we make boiler tubes, skelp, and light sheets.

Senator HEYBURN. Could either one exist without the other?

Mr. WORTH. Oh, yes. They are quite independent.

Senator HEYBURN. And each makes an independent profit?

Mr. WORTH. They are quite independent of each other.

Senator HEYBURN. Do you keep separate accounts for them?

Mr. WORTH. Separate offices, and so on.

Senator HEYBURN. Tell us briefly as to each of those operations; what proportion they represent of your entire business.

Mr. WORTH. I think in dollars and cents the output of the tube mill and the skelp mills (the two together) would be, possibly, one-third of the output of the plate end, at the lower mill.

Senator HEYBURN. How is it as to wages?

Mr. WORTH. The wages at the upper mill (the tube mill) are greater in proportion to the output. At the lower mill, where we have heavier material, of course—

Senator HEYBURN. That was the point I wanted to develop—that while the output is less the wages are more? There are more men employed?

Mr. WORTH. There are more men employed in the light material.

Senator HEYBURN. That is where the detail is in the work?

Mr. WORTH. Yes, sir.

Senator HEYBURN. What other mills are there in Coatesville, or about there, besides yours?

Mr. WORTH. The Lukens Iron & Steel Co., in our town, and the Parkesburg Iron Co., about 6 miles west of us.

Senator HEYBURN. How do they compare in volume with yours?

Mr. WORTH. Mr. Beale is here. He can speak for himself.

Senator HEYBURN. Does he represent both of them?

Mr. WORTH. He represents the Parkesburg Iron Co.

The CHAIRMAN. Mr. Beale can answer that question, I think.

Senator CLARK. Have you any means of knowing the attitude of the United States Steel Corporation toward this proposed reduction?

Mr. WORTH. Oh, I think they would oppose a reduction in the tariff. Of course they would, because we all work in friendship and harmony, you know. We are all friends, and they get after their trade and we get after ours. They are a nice lot of gentlemen. Mr. Farrell was down here prior to the time he was made president of the corporation. He was then in charge of the export trade, and he was here with us, lending his assistance to help you with the new bill. I think he was very instrumental in giving a lot of information which you gentlemen wanted at that time. Of course, he feels the same to-day as he did then.

Senator SIMMONS. Are you talking about the tariff on your manufactured products or the tariff on iron ore?

Mr. WORTH. I am talking about the tariff on all of them. The tariff on ore was reduced, you know. I do not know that Mr. Farrell cared for any reduction in ore; but—

Senator CLARK. My question was as to the general bill.

Mr. WORTH. But he was quite willing to bend to the rest of us in that. The tariff on ore did not affect him one way or the other, because he had his own ore in the ground. He did not buy any outside ore, and we of the East, of course, wanted a lower tariff on ore to enable us to compete with the western mills.

Senator HEYBURN. Are you in favor of a general reduction of tariff duties in all the schedules?

Mr. WORTH. No; I am not. I never have found any good business in this country when you were reducing the tariff. I have lived here fifty-odd years now. I have been in the iron business, and my father before me, and I never have found any time when you were reducing the tariff that we have had any decent business in this country.

Senator HEYBURN. Have you heard any large voice in favor of reduction of the tariff among the people where you have been?

Mr. WORTH. No; I do not know of anyone who wants a reduction in the tariff.

Senator KERN. They want it raised a little, do they?

Mr. WORTH. I do not think I have heard of anybody wanting it raised except the man representing Mr. Snyder here yesterday, who talked about putting a duty on ore of 50 cents a ton.

Senator SIMMONS. But you say you have not heard from anybody that wanted any reduction. I understand you want reductions on your raw material?

Mr. WORTH. No; I do not come here to ask that at all.

Senator SIMMONS. But you favor it?

Mr. WORTH. I have no objection to a lower rate on ore if you want to make it. I do not ask for it.

Senator SIMMONS. If you want reductions on the things that you buy in connection with your business, do you not suppose the consumers of your products want reductions, too?

Mr. WORTH. No; I do not think I have heard of anyone asking for reductions, and I am not here to ask for any reductions of any kind. If a duty of 15 cents is put on as a revenue measure, that is all right. We will try to live under it as best we can.

Senator CLARK. I understand you are satisfied to go along under present conditions?

Mr. WORTH. We have not had an opportunity to try this bill out, and I should like to see it tried out.

Senator CLARK. You mean this law?

Mr. WORTH. This law; yes.

Senator CLARK. You do not mean this bill?

Mr. WORTH. No; the law. We consumed a good bit of time in getting up the present law, and I think, as far as the iron schedule is concerned, it is a very good law. I do not know anything about the other items.

Senator CLARK. Was there much difficulty in adjusting your business to the Payne-Aldrich bill?

Mr. WORTH. No; I think we got to work under it fairly soon. I think it is a very good bill indeed, and very satisfactory. I should like to see it tried for a while before we branch off into something that we know is going to hurt us very seriously.

Senator SIMMONS. I understand you to say that you do not know yourself whether the United States Steel Corporation are in favor of putting iron ore on the free list, or reducing the duty on iron ore? You do not know whether they are or not?

Mr. WORTH. No; I do not think they would have very much to say about it one way or the other. They do not import any iron ore, and I think they can hold their own against any importations. I do not think it would make any great difference to them.

Senator SIMMONS. Do they produce iron ore for the market, or just for their own use?

Mr. WORTH. Just for their own use.

Senator SIMMONS. They do not produce any for the market?

Mr. WORTH. They do not sell at all in the market.

Senator SIMMONS. Do they own any part of this Cuban ore?

Mr. WORTH. I understand they have taken up some property down there. I do not know that it is held in their own name, and of my own knowledge I do not know anything except that it is supposed that they have taken it up.

Senator SIMMONS. I heard some witness—I can not recall his name—say here that they owned very extensive ore-producing lands there that they had not opened up in mines.

Mr. WORTH. In Cuba?

Senator SIMMONS. Yes.

Mr. WORTH. I think quite probably they have a certain amount of that property.

Senator HEYBURN. Have you any of it?

Mr. WORTH. No, sir. As I told you, we have no raw material. After we are furnished with ore and coal, we think we can do as well as any of them. Our properties are kept up; our mills are all right; but we have not the raw material.

Senator SIMMONS. Do you know whether they own any of the Spanish ore mines?

Mr. WORTH. Whom do you mean—the corporation?

Senator SIMMONS. The corporation.

Mr. WORTH. I understand they have taken up a certain amount of that ground.

Senator CLARK. The question was in regard to Spanish mines.

Mr. WORTH. Oh, Spanish mines. I do not know that they have any mines in Spain at all. Of course, there are very large deposits in South America.

Senator SIMMONS. Do they own anything down there?

Mr. WORTH. We do not; no.

Senator SIMMONS. I mean the corporation.

Mr. WORTH. It is supposed that they are looking after that.

STATEMENT OF MR. HORACE A. BEALE, OF PARKESBURG, PA., REPRESENTING THE PARKESBURG IRON AND STEEL CO.

The CHAIRMAN. Mr. Horace A. Beale is here from Parkesburg. I do not know whether he wishes to do more than simply record his appearance. How many men do you employ, Mr. Beale?

Mr. BEALE. About 500, I think; between 500 and 750.

The CHAIRMAN. Have you anything to add to what Mr. Worth has said on paragraph 4, in which you are both interested?

Mr. BEALE. Paragraph 4, I think, more particularly applies to plate, does it not?

The CHAIRMAN. Yes.

Mr. BEALE. We are interested only in the manufacture of charcoal-iron boiler tubes.

The CHAIRMAN. Which paragraph is that?

Mr. BEALE. I have not a copy of the bill here.

The CHAIRMAN. I understand it is paragraph 25.

Mr. BEALE. That is really a very small percentage of the iron and steel industry, and is, of course, a specialty.

Senator SIMMONS. What is the general term you used?

Mr. BEALE. Charcoal-iron boiler tubes.

The CHAIRMAN. Have you anything to say to the committee especially on that paragraph, Mr. Beale?

Mr. BEALE. I am here simply to call your attention to the fact that this product has always been taken care of in a little different manner from the rest of the tubular goods. I think in the Payne law the charcoal-iron boiler tubes were excepted and referred to in a special provision, by which the duty was not cut quite so much. I do not remember what the rate was under the Dingley bill, but the rate of duty under the present law is a cent and a half a pound.

The CHAIRMAN. As I recollect, Mr. Beale, this industry is particularly threatened from Sweden, is it not, by the cheap product of that country?

Mr. BEALE. Sweden is the source of the original supply. I think the material is usually fabricated in England.

Senator HEYBURN. There is no reason on earth for reducing the duty on that commodity, is there?

Mr. BEALE. None whatever.

Senator HEYBURN. We have no equivalent for that?

Mr. BEALE. No, sir.

Senator HEYBURN. And it would be just throwing away that much duty?

Mr. BEALE. Yes, sir.

Senator HEYBURN. We have no equivalent for the Norway iron?

Mr. BEALE. The Swedish iron—no; we do not in this country make that grade of material to any extent. It has practically passed to the Swedes now, and we usually import it.

Senator CLARK. With what foreign country does your product come in competition?

Mr. BEALE. Principally England.

Senator CLARK. Do you know what their imports are at present?

Mr. BEALE. No; I do not. I can not say that, Senator.

Senator SIMMONS. Do you know whether there are any imports from England?

Mr. BEALE. Yes; some few, but they are principally imported in bond now, I think, by the locomotive companies for shipment abroad. They are used in building locomotives for export work.

Senator SIMMONS. They get a rebate on them?

Mr. BEALE. They bring the tubes in, as I understand, in bond.

Senator SIMMONS. That material is not for consumption in this country?

Mr. BEALE. No.

Senator SIMMONS. So at present there are no importations to this country from your apprehended competitors?

Mr. BEALE. I think not under the present law; no, sir.

Senator SIMMONS. Do you export anything there?

Mr. BEALE. No; not to England. We do to Canada and Mexico, and some points of that kind.

Senator SIMMONS. Do you export anything to Europe?

Mr. BEALE. No; we never have done so.

Senator SIMMONS. Is any of the domestic product, made by anybody in this country, exported to England?

Mr. BEALE. I can not say that, but I hardly think there is. I think not. We can not begin to compete in prices with them outside of this country.

Senator SIMMONS. You do in Canada, you say?

Mr. BEALE. We have no duty on boiler tubes in Canada—that is, not on the same grade of material. There is a great deal of charcoal iron made from scrap in this country—that is, it is not made directly from pig iron.

Senator SIMMONS. England does not make that at all?

Mr. BEALE. They make it, I believe—that is, the Swedes make it; but, you understand, as a general rule the freight on tubular goods is pretty high. The material takes up a great deal of room without a great deal of weight. They do not send that lower-priced material quite so much into Canada as they do the higher-priced material, and we are sometimes able to compete with them in Canada.

Senator HEYBURN. You are not now talking of Norway iron?

Mr. BEALE. Yes; they make one or two different grades of iron in Norway.

Senator SIMMONS. You say you are sometimes able to compete with them in Canada. Is it not a fact that we sell to Canada in much larger quantities than they do?

Mr. BEALE. No; I think not—not of charcoal iron boiler tubes. They are principally imported, as I understand, from England, made from Swedish iron.

Senator SIMMONS. What was the amount of your exports there last year?

Mr. BEALE. To Canada?

Senator SIMMONS. Yes.

Mr. BEALE. I do not suppose it was over \$1,500.

Senator SIMMONS. Where else did you say you exported?

Mr. BEALE. Some little to Mexico; and occasionally a few lots were shipped to a locomotive builder for export in locomotives they were building for a South American port, or something of that kind.

Senator SIMMONS. How many hands do you say you employ?

Mr. BEALE. From 500 to 750.

Senator SIMMONS. What proportion of them are foreigners?

Mr. BEALE. A very small percentage. Our men are pretty nearly all Americans. I could not say exactly, but I do not suppose over 15 per cent of them are foreigners, and they are just the common labor.

Senator KERN. What is your annual pay roll?

Mr. BEALE. It is a pretty hard matter to say, just at present.

Senator KERN. What is the average?

Mr. BEALE. We have built an addition to our plant to take up the output of our original plant. In other words, we are building a boiler-tube plant to take the output of our old skelp mill and forge. Our tube mill was not built of sufficient size originally to take the entire output of the old mill. I do not know what it would be under the present circumstances, but I suppose about \$32,000 or \$33,000 a month.

Senator KERN. How many men have you?

Mr. BEALE. Between 500 and 750, depending altogether upon how much of the mill we operate.

Senator KERN. What is the average?

Mr. BEALE. I suppose we are operating now with close to 500 men.

Senator KERN. Is that your average?

Mr. BEALE. I can not say that, because we have not run our tube mill sufficiently long for me to know.

Senator SIMMONS. What are the profits from your business?

Mr. BEALE. I would not like to tell you exactly how much money we lost last year, but we lost money.

Senator SIMMONS. You lost money last year?

Mr. BEALE. Yes, sir.

Senator SIMMONS. Is that your normal condition?

Mr. BEALE. I hope not.

Senator SIMMONS. When did you go into this business? How long ago?

Mr. BEALE. We have been manufacturing the charcoal iron and the skelp from which boiler tubes are made since about 1866, I think; somewhere along there.

Senator SIMMONS. How much capital, actual cash, have you got invested?

Mr. BEALE. \$250,000 is our capital. Our plant is probably worth to-day between \$800,000 and \$900,000.

Senator SIMMONS. Have you put in any money except that \$250,000?

Mr. BEALE. We have borrowed money from time to time, but that we paid back.

Senator SIMMONS. Out of the earnings?

Mr. BEALE. We hope to.

Senator SIMMONS. But that \$250,000 is all the money you invested?

Mr. BEALE. It represents the original plant; yes, sir. Our original capital stock was \$125,000, and when we built our tube mill we just doubled it, increasing it to \$250,000.

Senator SIMMONS. About what is your average income on that \$250,000?

Mr. BEALE. We have not been in operation long enough to know. We had one fairly good year, and we had one pretty bad year, just past.

Senator SIMMONS. If you have not been running along and making a good deal of money, how is it that without your putting in any more money, except this \$250,000, your plant now comes to be worth \$700,000 or \$800,000?

Mr. BEALE. We had quite a large skelp mill, which we built out of the earnings of the plant in the past, and our entire output was taken by the Steel Corporation up until 1908. Then they advised us that they were going out of the manufacture of charcoal-iron boiler tubes, and advised us to look to some other source for our output. For that reason we built our boiler-tube plant, to take that output.

Senator SIMMONS. In other words, you have paid dividends on your stock from time to time, and in addition to the dividends you have paid your plant has grown in value from \$250,000 to about \$800,000 or \$900,000?

Mr. BEALE. Yes.

Senator CLARK. How long has that been?

Mr. BEALE. Do you mean how long have we been in accumulating that? We were incorporated in 1872.

Senator CLARK. When did you begin business?

Mr. BEALE. The plant was in operation before that, but not that plant. That plant was originally started in 1872.

Senator CLARK. You have been about 35 years in accumulating from \$250,000 to \$750,000, then?

Mr. BEALE. Yes, sir.

The CHAIRMAN. I presume a good many years you did not make any money, did you?

Mr. BEALE. Quite a few of the early years we did not.

Senator CLARK. You would have had quite a bit more money if you had put your \$250,000 into Government bonds?

Mr. BEALE. I think so; yes, sir.

Senator SIMMONS. You have not taken into account the dividends you paid in that time, have you? What would you say are the dividends you have had on that \$250,000 since your first investment?

Mr. BEALE. I can not say before about 10 years ago; but my recollection is that probably we have averaged from 25 to 30 per cent on our \$125,000 capital.

Senator SIMMONS. You have averaged that during this time?

Mr. BEALE. I think up until 1908; yes, sir.

Senator CLARK. Have you drawn that out?

Mr. BEALE. That was largely put back into the additional plant.

Senator CLARK. But not altogether?

Mr. BEALE. Not altogether; no, sir.

Senator SIMMONS. What proportion of it would you say went back into the plant and what portion went into your pockets?

Mr. BEALE. My personal pocket? I guess fully half of it.

Senator SIMMONS. I am not asking you about your personal pocket. I am talking about the pockets of your stockholders.

Mr. BEALE. I think pretty nearly half of it.

Senator SIMMONS. Then the sum of it would be about like this; That you have had about 15 per cent dividends on your original investment, and that original investment has grown from \$125,000 to about \$800,000?

Mr. BEALE. Between \$800,000 and \$900,000; yes.

The CHAIRMAN. That is all, Mr. Beale, I believe.

**STATEMENT OF MR. W. U. FOLLANSBEE, OF PITTSBURGH, PA.,
ON BEHALF OF FOLLANSBEE BROS. CO. AND A NUMBER OF
OTHER INDEPENDENT TIN-PLATE MANUFACTURERS.**

Mr. FOLLANSBEE. Mr. Chairman and gentlemen, I appear here in connection with the last clause of paragraph 8 of the proposed Underwood bill and all of paragraph 130 of the Payne bill. I am representing not only our own company—Follansbee Bros. Co., with mills in the town of Follansbee, W. Va.—but also 14 to 15 other independent tin-plate manufacturers scattered quite widely over the country.

On behalf of all of these independent manufacturers, we wish to protest against the Underwood bill. It is hasty; it has been drawn up in ignorance of the facts, with an insufficient consideration of the subject, with indifferent regard for American capital and labor, but, primarily, labor, and is particularly unjust and discriminating in the attempt to raise revenue at the direct and deliberate expense of the tin-plate industry.

Senator KERN. How do you know what attention, time, and study have been given to this bill by these men who have been in Congress for years investigating this subject?

Mr. FOLLANSBEE. I have been in the tin-plate business for 32 years. I have been in pretty close touch with tariff matters on the tin-plate item. I have been personally in pretty close touch with the present Ways and Means Committee, and I have been personally in touch with the subcommittee of three that drew the Underwood bill.

Senator KERN. For that reason you say they have given the matter no considerable attention or study?

Mr. FOLLANSBEE. I say that they have not given it sufficient. If you will grant me time, I will show you that they have made statements in connection with this bill, in its presentation in the House, that are absolutely incorrect. Quite a good many of the statements that were made in the House on the subject of tin plate were based on information received from me individually.

Senator SIMMONS. Pardon me for just one inquiry at that point. You speak of yourself as representing the independent manufacturers. I should like to know what constitutes those that are not independent?

Mr. FOLLANSBEE. The United States Steel Corporation, sir.

Senator SIMMONS. They control what percentage of the business?

Mr. FOLLANSBEE. About 60 per cent of the tin-plate business of the country to-day. I should like to say, right in that connection, that when they started they practically controlled it all. We, the 40 per cent independents, have grown into existence since the United States Steel Corporation was formed.

We wish to protest against the ad valorem basis of figuring this duty. We can agree with those who have preceded me in thinking that it is an unscientific manner of figuring duty. We recognize that it has been quite universally condemned by the United States Treasury officials. We understand that it has been discredited by other nations, and we know that it is a method that is subject to a great deal of deception.

In answer to Senator Kern's question (because I want to refer to that more particularly, as regards this matter of hasty consideration and ignorance of the facts), I will say that we believe the Underwood bill was written by those who knew comparatively little about this question of the general tariff on iron and steel.

Senator SIMMONS. Did they not ask you for any information that you desired to present?

Mr. FOLLANSBEE. They asked me for a little information, and I forced on them a good deal more.

Senator SIMMONS. You gave them all that you thought was pertinent; did you not?

Mr. FOLLANSBEE. Yes; and they have drawn very incorrect conclusions, sir.

Senator SIMMONS. They had such information as you wanted to give them?

Mr. FOLLANSBEE. Yes.

Congressman Palmer, in introducing the bill—and I am speaking from the Congressional Record—states as follows:

I am not an expert upon the general tariff question, nor have I any other than the ordinary knowledge of that particular phase of the question which is involved in the discussion of the proper rates to be levied upon metals and the manufactures of metals.

Senator CLARK. Was Mr. Palmer one of the three you spoke of?

Mr. FOLLANSBEE. Yes, sir. He was the chairman of the committee, and he presented the bill in the House.

The CHAIRMAN. Who were the other two Members, Mr. Follansbee?

Mr. FOLLANSBEE. I never have been able to find out, Senator.

The CHAIRMAN. I never have been able to find out.

Mr. FOLLANSBEE. I should like to know.

Senator KERN. I suppose the record will show.

The CHAIRMAN. The record does not show, so far as I have been able to discover.

Mr. FOLLANSBEE. I have been trying to find out, and I can not.

I should like, gentlemen, to take just a moment to give a definition of tin plate.

Senator LODGE. Before you begin on that, I should like to make this statement: You speak of specific and ad valorem duties. I saw a letter from an English firm—in fact, I have it in my committee room—who are exporters or agents in the export of tin plate. They stated that while this ad valorem duty lowered the duty on certain grades, and left it the same on certain other grades, on still other grades it increased the duty.

Mr. FOLLANSBEE. Senator, if you will pardon the mention, my concern is the manufacturer of the highest grade of tin plate in the world. Pardon the conceit. If there were any concern in the United States that would want an ad valorem duty, it would be Follansbee Bros. Co., because we do manufacture the higher qualities.

Senator LODGE. You do not understand the purpose of my question. The purpose of my question was to find out whether the ad valorem duty did not have the effect of raising the duty on certain grades and of lowering it on others?

Mr. FOLLANSBEE. Do you mean as compared with the present duty?

Senator LODGE. Yes.

Mr. FOLLANSBEE. Oh, it lowers them all, absolutely. I do not believe, Senator, if you will pardon me, that you quite understood your correspondents. I think they tried to call attention to the fact that while the ad valorem rate would greatly reduce the duty on the cheap qualities, the higher qualities would have proportionate reductions.

Senator LODGE. I will send for the letter. I do not pretend to be overintelligent, but I think I understood it.

Mr. FOLLANSBEE. I am very much interested in that portion of it.

I should like you gentlemen to thoroughly understand what tin plate is. There has been a great deal of discussion of tin plate, which has been made a political football, and—

Senator HEYBURN. I wish you would elucidate that subject, because I once saw an orator with a hand scale and some tin cups and plates, weighing them in front of an audience of miners to demonstrate the fact that the proposed bill for reducing the duty on tin plate would be in their interest.

Mr. FOLLANSBEE. What kind of miners? They were not coal miners?

Senator HEYBURN. No; they were metal miners. This man was a candidate for governor.

Senator CLARK. Was he elected governor in your State?

Senator HEYBURN. No; he was not in my State, but in a neighboring State.

Mr. FOLLANSBEE. Tin plate is very thin gauge, generally 30 gauge and under, made of the most highly finished black steel sheets that are produced. These sheets are pickled, they are annealed, they are cold-rolled, they are reannealed, and they are repickled before they are tinned. The tinning operation consists of dipping and coating these very highly finished, very light gauge steel sheets either with pure tin, which are tin plates, or a mixture of tin and lead, which areterne plates. "Terne" is a Latin word meaning "lead," because lead is used in the mixture.

Senator CLARK. Is the name "tin plate" applied to these plates before they are tinned?

Mr. FOLLANSBEE. They are then called black plates for tinning, and they are made on what are known as tin mills.

Senator CLARK. Are the plates used for any other purpose except tin?

Mr. FOLLANSBEE. Yes. Very large tonnages of this same product of the tin mills are used in the black for such purposes as making enamel ware and some other similar articles. Taggers' tin, or the extremely light gauges, running down to 38 and 40 gauge (which is just like tissue paper), is made of tin-coated sheets. It is not made at all interne.

Senator HEYBURN. Does that mean so many sheets to the inch, or what is the basis of the gauge?

Mr. FOLLANSBEE. That is an arbitrary gauge, Senator, adopted by the United States Government. It is called the United States Gov-

ernment standard gauge. The ordinary gauge 30 weighs about one-half of 1 pound per square foot. The ordinary base commercial size of tin plate weighs less than 1 pound to the sheet.

The process of making tin plate is a lengthy one, requiring about three weeks. I am going to ask your indulgence while I tell you just a little of the history of tin plate.

It originated in Bohemia, and was long a monopoly there, beginning back so many hundred years ago that it is rather lost in antiquity. So long ago as 1620 the industry spread to Saxony. In 1665 they experimented in tin-plate making in England. But it was not until 1734 that Maj. John Hanbury erected a small plant at Pontypool, Wales, and there revolutionized the business. Prior to that time these flat sheets were produced by hammering. Maj. Hanbury, invented the process of rolling the black plate through what he called cylinders, similar, of course, to what we call rolls at the present time. The industry progressed for a hundred years in Wales, and from 1834 grew very rapidly until 1890, at the time of the passage of the McKinley bill, when this country was importing to exceed 300,000 tons, or from 85 to 90 per cent of the entire Welsh manufacture, which in 1890 was 367,000 tons. These are British statistics.

Senator CLARK. Had you produced any tin plate up to that time?

Mr. FOLLANSBEE. Only very incidentally; and I wish to speak of that a little later on, when I rehearse the tariff bills influencing tin plate.

Senator CLARK. I do not want to interrupt you.

Mr. FOLLANSBEE. I have emphasized the fact that tin, which is very light, means labor. You gentlemen that have been in rail mills, for instance, have seen the enormous ingots placed on the carriers and rolled through the blooming and rail mills, and you have looked around, and you have not been able to find the men. It is done mechanically. To reduce steel to these very light, thin sheets requires labor. It requires handling. It requires head labor. Millions have been spent in this country in the effort to substitute machinery for men in the manufacture of tin plates.

In that connection I beg to again refer to the Congressional Record. When this bill was introduced, Mr. Palmer stated:

That is true everywhere throughout all the length and breadth of the industry. There is not any industry in which the advantages have been so great, by reason of inventions, economies, and various other causes to reduce prices as throughout the list of merchandise covered by the iron and steel schedule.

And he is absolutely wrong as applied to tin plate, except to this degree: The Americans deserve very great credit for increasing the size of the mills—the weights. As an importer of tin plate, I spent weeks in Wales as long ago as 1888, and their mills then were what are designated as 18-inch mills. The mills in our individual plant are 28-inch mills.

Senator CLARK. Does that refer to the width of the sheet?

Mr. FOLLANSBEE. No; that means the diameter of the rolls through which they pass. The adjacent machinery, which we call housing, is proportionately increased. That has permitted a great increase of output; but we Americans simply showed it and developed it, when the Welsh adopted it. To-day, if you will pardon me, as regards any machinery or mechanical inventions, America, the child, is teaching Wales, the parent. But that is the limit of machinery, as the Ameri-

can has improved conditions, and it was such an improvement as permitted its immediate adoption in Wales. The large item of expense in the manufacture of tin plate is labor; and we have not been able to reduce that cost by eliminating the labor, although, as I say, millions of dollars have been spent in the effort.

Senator HEYBURN. The item of labor would be insignificant, then, would it, in connection with applying the tin to the sheet before it is tinned? You say that is done mechanically or automatically?

Mr. FOLLANSBEE. No; pardon me.

Senator HEYBURN. Where does the labor item come in there?

Mr. FOLLANSBEE. In tinning; it is a very important labor item. There is not any of it done automatically.

Senator HEYBURN. You said "mechanically."

Mr. FOLLANSBEE. No; we get all the advantage of machinery that we can, but we have not any advantage in this country over what Wales has, and our labor cost is very much higher.

Senator HEYBURN. I wanted to see whether or not the labor item entered into that element of manufacture.

Mr. FOLLANSBEE. The labor item in the coating department is very large, Senator.

Senator HEYBURN. Do you know what per cent it would be?

Mr. FOLLANSBEE. I have it right here.

Senator HEYBURN. Is it a question of pouring the lead or tin on the sheets?

Mr. FOLLANSBEE. No; the sheets go through pots. They are dipped, as we call it.

Senator HEYBURN. That tins both sides?

Mr. FOLLANSBEE. I have a brief that I am going to leave with the committee. It starts in with what is called tinning. In this country we pay our men \$1.32½. In Wales they get \$1.24½. The difference there is comparatively slight.

Senator CLARK. What is that—per day?

Mr. FOLLANSBEE. Per gross ton; and there is very little skill in it, proportionately. When it comes to the next item of rising, however, we pay 88 cents, where they pay only 46.6 cents. In the assorting we pay 52 cents, where they pay 41½ cents. In the boxing we pay 46½ cents, and they pay only 20 cents. That is all per gross ton. In the general tin house, including superintendence, labor, and everything of that character, it costs us \$2.44, where it costs them only \$1.22. This is all in the tinning, Senator—the coating process.

Senator HEYBURN. It has nothing at all to do with rolling the plate?

Mr. FOLLANSBEE. No, sir.

As I mentioned, I was in Wales in 1888, and we were then talking tariff on tin plate in this country. I was very much interrogated as to what was going to be done. They told us we could not make it. I was not over there to engage in the tin-plate business on this side; I was over there as an importer. They said: "You can not make tin plate in America. Your climate is going to knock you out. It is exceedingly hot and burdensome," and all that, which, of course, I laughed at.

I want, however, to read extracts which were published in foreign papers, just about or shortly following the passage of the McKinley bill. The McKinley bill, as you will recollect, passed in 1890, and

went into effect in midsummer of 1891. This is from the London Iron and Steel Trade Journal of April 12, 1890. They said:

The greatest obstacle to tin-plate making on a large scale in the States is the entire absence of cheap female labor, so necessary in the industry and so abundant in Wales.

This same paper, on December 5, 1891, says:

In Wales the adult work people have been engaged in the tin-plate trade from childhood; and their children, as soon as capable, assist in the mills. It is indeed not an uncommon occurrence to find whole families working together. The making of tin plate, as the children grow to men and women, becomes a habit, and they acquire a great dexterity, saving much time and labor; and the wages of the female laborers and children are but a tithe of what American skilled workmen would demand.

Pardon just this illustration: After the coated sheets come from the tinning pots they are carried to what is known as the assorting room, where they are inspected. In Wales they are inspected by cheap girl labor. In this country they are inspected by skilled, high-priced labor. This is simply an illustration I am making of many mills over there, and is based on what I saw when I was in a very large mill in Wales. A box of tin weighing over 100 pounds would be picked up, and it would be in the loose sheets, where it would be very hard to carry. It would be picked up by a girl about 15 or 16 years of age, and would be placed on her hip in this way [indicating], and she would carry it from the tinning pots down to the assorting room, a distance, in some cases, of 100 feet, sometimes 150 feet, sometimes 200 feet. I would not like to see any American girls doing that kind of work. It was on a dirt floor, where the water had been dripping, and it was muddy. I said to quite a large Welsh manufacturer, "Gracious, man, why don't you get away from that kind of labor?" He said, "What can I do?" I said, "You can put a donkey in here and a little truck and pile up 25 or 30 or 50 boxes at once, instead of having them carried by these young girls, who ought to be at school." He said, "Why, the donkey would eat more than we pay these girls."

That is the kind of labor we have to compete with.

Senator CLARK. How is it now? Does that condition still prevail there?

Mr. FOLLANSBEE. I think to a very large extent it does. I have not been in Wales since that time, but some of our men have. I do not want to take up too much time on this matter, but one of our good men was over there this last summer, and when he came back I asked him how he found things over in Wales. He is a Welshman and a very intelligent man. He said, "When I worked there I thought a lot of the things we did then were all right, but," said he, "it made my heart sick to see those girls and women working, for instance, around the pickling machines." We have mighty few men that can stand it, I tell you, gentlemen. It is wet and dirty and sloppy, and the fumes are nauseating, and they have to work short hours with us. The picklers in our tin mills, as a rule, quit at 4 o'clock in the afternoon.

The sister of another of our men was over there a year or so ago, and she wrote to her brother, and he told me about it at the time. She said: "Billy, it was nice to come back home after being away for 30 years; but there is a good deal of sadness in it, too. The same old ash pile is right there in front of our door." There is dirt, and there is squalor. They do not know anything else.

Senator LODGE. Mr. Follansbee, I now have the letter to which I referred. Though the writer of the letter may be wrong, I do not think I misunderstood him. He says:

The tinned-sheet manufacturers have called our attention to a notice in the Iron Age that a revision of the United States tariff is being suggested, and that a duty at ad valorem rate is proposed, instead of a rate per pound.

They point out that if the new duty is fixed at 20 per cent of value, compared with a duty of 1½ cents per pound, for any sheets below about 27s. 6d. per hundredweight, this would be a decrease; for sheets of say 27s. 6d. hundredweight, the two rates would be about the same, but for higher-priced sheets the ad valorem rate would be an increase of duty—not a decrease. This, they say, would affect tinned sheets, seeing the values range from 30s. hundredweight upward.

The manufacturers here want to know if it is any use you making a protest or calling attention to the matter. We are afraid it would be an extraordinary duty which would satisfy everybody. This is a typical instance.

Mr. FOLLANSBEE. Your understanding, Senator, was absolutely correct; but you can see the absurdity of your correspondent's position when I say that practically 90 or 95 per cent of all the tin plate that is made in Wales sells at about 12 shillings a box.

Senator LODGE. Is it true of the higher grades?

Mr. FOLLANSBEE. There are not any higher grades that go up to 27 shillings.

Senator SMOOT. I do not understand that that is this gentleman's opinion. That is the opinion of his correspondent.

Senator LODGE. He says the tinned-sheet manufacturers say so. He is simply an agent. He says that the tinned-sheet manufacturers stated to him that for tin plate above 27 shillings and 6 pence per hundred weight, the ad valorem rate would cause an increase instead of a decrease. I do not know whether it is true or not. I have not figured it out.

Senator SMOOT. There would not be 2 per cent of the tin sheet above 27 shillings, would there, Mr. Follansbee?

Mr. FOLLANSBEE. We are importers to-day, gentlemen. We import some tin plate. We still have our Liverpool correspondents. I have here the circular letter of our Liverpool correspondents, Messrs. Thomas & Strachan, dated January 31, 1912. This is simply a printed circular, you understand, and simply represents the proportionate market price. It is like taking up a trade paper in this country. You see an article printed, and you know that you can buy it at a good deal less. It is simply a guide. Ninety-five per cent of the tin plate that is made in Wales is at a standard weight of 100 pounds or 90 pounds or 80 pounds. As I say, this is their circular of January 31, the last one that has reached us. On 100 pounds they quote 13 shillings per box. On 90 pounds—it would be 90 pounds to the box—they quote 12 shillings and 6 pence. On 80 pounds they quote 12 shillings. They have here quotations of 27 shillings and 26 shillings, but it is simply doubling the weight, that is all, Senator. It is for 200 pounds instead of 100 pounds.

Senator LODGE. Then there is no such difference in the grades as they speak of here?

Mr. FOLLANSBEE. Absolutely not.

Senator LODGE. Of course a hundredweight is a fixed amount.

Mr. FOLLANSBEE. Yes.

Senator LODGE. There is no tin plate that sells at over 27 shillings and 6 pence a hundredweight?

Mr. FOLLANSBEE. I do not want to discredit your correspondent absolutely, but if there is, it is such an insignificant amount that you simply could not find it.

Senator LODGE. That is what I wanted to know.

Mr. FOLLANSBEE. I import some tin plate, and it probably would come in that class. I want to refer to it afterwards; because the United States Government has made a very important mistake right along that line. The little bit of tin plate that we import is iron plate. It has been made over there for a good many years. I must apologize for importing it. The only reason we do it is because we are not only tin-plate manufacturers, but we are dealers in everything that a tinner buys—galvanized sheets, zinc, wire, and copper. There are a few foolish people in the United States who still think that what comes from abroad is better than what is made at home. Some ladies prefer a French-made silk dress to an American-made one. We do not believe in catering to that kind of thing. But still, an architect may have that idea and he may specify an imported plate; and a tinner, a tinker, a customer of ours who buys everything from us, will have to get some of that plate to satisfy this architect's requirements. All of that that comes into this country is so small that you can not find it, as I say. It does sell at a very high price, however, which would be the only apology for any such mention as has been made by that gentleman.

I want to say to the committee that the tin-plate business is the youngest in the iron and steel industry in this country that amounts to a large tonnage.

Senator HEYBURN. Who started it?

Mr. FOLLANSBEE. In this country?

Senator HEYBURN. Yes.

Mr. FOLLANSBEE. The manager of our mills, Mr. William Banfield.

Senator HEYBURN. On the Delaware River?

Mr. FOLLANSBEE. No, sir. We have been in the business of manufacturing for only eight years. He started it in the town of Irondale, Ohio, where, prior to that time, he had been in the business of making galvanized sheets. He is an Englishman. Another gentleman, Mr. Cronmeyer, started out about the same time at a place called Demmler. Irondale is in Ohio and Demmler is in Pennsylvania.

Senator HEYBURN. I thought the first factory was one on the Delaware River above Philadelphia.

Mr. FOLLANSBEE. Marshall Bros. Co. were there; but they did not start for several years after that, and they did not continue in the business very long.

We are the youngest of the iron and steel industry. We are glad to say we are not an infant. This year we attain our majority and arrive at the full stature of a man. The tin-plate manufacturers always have been exceedingly candid on this matter of duty since the business was firmly established in this country. When the Payne bill was being formulated, we came down here as a committee. We appeared before the Ways and Means Committee in a verbal presentation on the 25th of November, 1908. Following that verbal presentation the former leader of the minority in the House, the present Speaker, was kind enough to say that if all manufacturers were as clear and plain and candid as the tin-plate manufacturers there would be very little difficulty in writing a tariff bill. In our verbal presentation we

suggested a reduction of duty in the goods we made. We followed that up with a brief dated the 15th of February, 1909, and suggested a reduction of 20 per cent, from 1.50 to 1.20.

The American tin-plate manufacturers have been equally candid at the present time. Personally I have interviewed Mr. Underwood, I have interviewed Speaker Clark, I have interviewed Congressman A. Mitchell Palmer, and told him we had nothing to conceal, that we suggested a 20 per cent reduction in the Payne bill and we were going to suggest another reduction this time. We presented a brief, a copy of which is here and which I am going to file as part of the record, suggesting a further reduction from 1.20, as provided in the Payne bill, to a flat 1 cent per pound that we recommended, being a reduction of another 16 $\frac{2}{3}$ per cent.

Senator HEYBURN. Did that amount to the difference between 1.5 and 1.2?

Mr. FOLLANSBEE. No; the reduction from 1.5 to 1.2 is 20 per cent, which the Payne bill provided.

Senator HEYBURN. What are you referring to now?

Mr. FOLLANSBEE. We suggested to the present Ways and Means Committee a further reduction of 16 $\frac{2}{3}$ per cent, or from 1.20 to 1 cent.

Senator CLARK. How much did they reduce it in percentage?

Mr. FOLLANSBEE. They reduced it to 20 per cent ad valorem, which, owing to the fluctuating market, would amount to from something under one-half cent per pound to probably as high as fifty-six one-hundredths. Mr. Palmer says it is 64 cents a hundred; but I propose to show you a little later on that he is wrong.

Senator CLARK. You suggested a 16 $\frac{2}{3}$ per cent reduction?

Mr. FOLLANSBEE. From 1.20.

Senator CLARK. What percentage of reduction do they propose?

Mr. FOLLANSBEE. They propose to cut the 1.20 in less than half.

Senator CLARK. More than 50 per cent?

Mr. FOLLANSBEE. More than 50 per cent of the Payne bill rate. I want to call your attention to the fact that the Payne bill rate of 1.20 was exactly the same as that of the Wilson bill. I want to call your attention to the fact that our present suggested rate of 1 cent a pound is the lowest rate that has ever been on tin plate, including all the years when it was simply a revenue duty and nothing else, prior to our ability to make it in this country.

Senator CULLOM. Can you tell us the difference in price between what it is now and what it was before we made tin plate in this country?

Mr. FOLLANSBEE. Senator, we have just reduced it and reduced it and reduced it, and I am going to—

Senator JOHNSON. Will you give us the prices of tin plate since 1895?

Mr. FOLLANSBEE. I have all of those things in my notes. If you will let me take them up consecutively, it will save time. I do not know that I can give it to you for every identical year, but I can give you the averages. Of course I have data at home, but I brought so much data down here that I did not want to burden you further.

The CHAIRMAN. Go on in your own order then, Mr. Follansbee.

Mr. FOLLANSBEE. I believe the tin-plate manufacturers were one of the very few classes of iron and steel manufacturers that presented briefs to the present Ways and Means Committee. When I came

down here and interviewed them, they said: "No; we are not going to have any oral hearings. We had enough of that three years ago." I said: "Do you want any briefs?" They said: "All right; present briefs, if you want to." I said: "We stand absolutely on our brief of 1909 except as to the changed condition, which only applies to one item."

These gentlemen, of course, treated me with the utmost courtesy. They are gentlemen in every respect. Although we differ, I have no doubt of their sincerity; but they are wrong.

The result of filing that brief, apparently, judging from the Congressional Record and Congressman Palmer's presentation, is that the tin-plate industry simply has been made the "goat." On Tuesday there were some inquiries made along that line. Senator Oliver, in his introductory remarks, drew the distinction between the Steel Corporation and the independents, and one Senator tried to identify which were the goats and which were the sheep. I am going to prove to you that in the Underwood bill the tin-plate industry is made absolutely the goat, and I am going to do it by Congressman Palmer's own individual remarks. I am not a lawyer, gentlemen; but I guess a lawyer would present those things to a jury in about that way.

A large part of the data given in our brief is quoted by Congressman Palmer. From the standpoint of to-day it would appear to have been bad policy that we were candid with them and presented them with the brief; but we do not regret it. We would do the same thing over again. The tin-plate manufacturers are absolutely candid in this matter. We are standing absolutely on our present brief and on the statement that we can not afford a duty of less than 1 cent per pound.

I want to refer, at the present time, to the fact that before investigating committees and in Government reports we have all heard a good deal lately about integrated companies. Personally, I see no objection to a large company owning its own ore and its own coal, making its own coke, selling its own pig iron, and producing at a minimum of cost down to the finished article.

Senator HEYBURN. Are you suggesting a reduction to 1 cent?

Mr. FOLLANSBEE. We are, Senator. That is what we are recommending.

Senator HEYBURN. What are you doing that for?

Mr. FOLLANSBEE. I knew that would come out. I have been here for three days. [Laughter.]

Senator HEYBURN. Do you know that every other manufacturer could stand the reduction?

Mr. FOLLANSBEE. I have suggested it after consulting with all of them, and having them put it in my hands.

Senator HEYBURN. With all of them?

Mr. FOLLANSBEE. I am speaking for the independents; and bless you, if the independents can stand it, the corporation can. You know that the United States Steel Corporation can.

Senator HEYBURN. About the time that you establish a theory of government, some man's pocketbook gets between it and the result.

Mr. FOLLANSBEE. I have the greatest admiration for the standpoint you have taken, Senator, during the three days I have been listening to these hearings; and I am going to give you what I believe is a very good reason for suggesting a gradual reduction of the duties on the metal schedule—iron and steel—as we are able to stand it

Senator HEYBURN. Just a moment. You are speaking here as to what you can do, based upon an established business. How would it be with the new man who might want to go into this business?

Mr. FOLLANSBEE. I am one of them.

Senator HEYBURN. You are already in it. You are a pioneer.

Mr. FOLLANSBEE. No; I have been a manufacturer for only eight years.

Senator HEYBURN. Suppose an entirely new combination of business men wanted to start in the tin business. Of course they would not be on so favorable a basis as you are, with your start and your trade and your custom. Might not they need the existing duty?

Mr. FOLLANSBEE. Heaven help the tin plate man that wants to start in the business at the present time.

Senator HEYBURN. That is the reason—because he is going to be pinched right down to less than the present duty, simply because somebody already started can stand it.

Mr. FOLLANSBEE. Just let me talk a little while, and I will prove that the situation is different, and that the duty of 1 cent a pound will properly protect the American manufacturer, in accordance with your position.

Senator HEYBURN. Surely? Not probably or spasmodically, but surely, all the time?

Mr. FOLLANSBEE. Surely, except, possibly, incidentally.

Senator HEYBURN. I do not want any possibilities in it.

Mr. FOLLANSBEE. I am the fellow that has the money in the business.

Senator HEYBURN. We are speaking for all of the people that depend upon general prosperity.

Mr. FOLLANSBEE. So am I.

Senator HEYBURN. Then, too, do you not see that you are reducing the duty on lead when you cut that to 1 cent?

Mr. FOLLANSBEE. Just let me talk for about five minutes, and I believe I will make this thing very clear.

Senator HEYBURN. I shall be very glad to hear you talk, but I want to participate to some extent in the consideration of this question.

Mr. FOLLANSBEE. Yes; I am glad that you are, because, notwithstanding I personally subscribe to your theory of protective duties, I believe I can show you a good reason for not having them so high that at all times they will be absolutely prohibitive. I have been in the metal business for 32 years, although I have been a tin-plate manufacturer only 8 years.

Senator HEYBURN. As a judge once said to me, "The court is against you, but proceed." [Laughter.]

Mr. FOLLANSBEE. Thank you for your kindness, Senator.

I have been in the metal business long enough to have gone through the boom of 1879. The boom of 1899 is so recent that even the youngest of us can recollect it. We make money very rapidly in the booms. I was simply a metal jobber in the boom of 1899. I would not dare to tell this if I thought it was ever going to go to such extremes; but we made 150 per cent on our capital that year. We made little or nothing in the next year.

Senator LODGE. You say you were a jobber then? You mean you were not then a manufacturer?

Mr. FOLLANSBEE. We were not then manufacturers. We were buying from American mills tin plate, galvanized sheets, and all the lines that are sold to a tinner.

Senator CLARK. How did you make 150 per cent on your capital? By the rapid rise?

Mr. FOLLANSBEE. By the rapid rise.

Senator SMOOT. It was not a question of price; it was a question of getting goods, was it not?

Mr. FOLLANSBEE. Our concern had loaded up in the year 1898 with everything we could possibly sell for over a year, at the lowest prices that ever existed anywhere. Those prices went up by leaps and bounds in 1899, simply because the depression was over. We had started in in 1893, and the depression had lasted for five or six years, and everything had been going down. Everybody had refused to buy. The country was bare and stripped of everything. Capital had refused to invest in plants. So, when 1899 came you could not get the goods, as you say, Senator, and they went out of sight.

The same thing occurred in 1879. I was a young man, starting in the business then. You have enormous inflations in the industry, which are then followed by equivalent depressions. You are much better off to run a fairly even business, and make a moderate amount on an average every year, than to speculate extensively, make an enormous amount one year, and perhaps the next year or two make nothing, or lose a good deal of it.

In 1899, and succeeding that time, this country was not able to supply the requirements. The mills were practically a year behind in executing their orders. We simply could not get the goods. The country was suffering a hardship. They were paying the prices that naturally resulted because there were three buyers for every seller. With all due consideration for protection to the American manufacturer, I believe that the exception proves the rule, and that the duty should be protective except when the American manufacturer can not reasonably supply the demand, and then I think the goods should be imported.

Senator HEYBURN. Which American manufacturers, the ones already established or those who would go into the business because of the lack of manufacturing capacity? Are not the men who would go into the business entitled to as much protection as the men who are in it?

Mr. FOLLANSBEE. Senator, that day is all over in the iron and steel business.

Senator HEYBURN. Never will I believe that the element of competition has forever passed out of the American market.

Mr. FOLLANSBEE. Oh, it surely has not.

Senator HEYBURN. Or that it ever should.

Mr. FOLLANSBEE. It surely never will. Do you want me to go ahead? We are the youngest iron and steel industry in the United States to-day. If you want to start a tin mill, all you have to do is to open your pocketbook and go out and hire the grandest, finest talent on the face of the globe, and they will build you your tin mills, the best they possibly can construct, and they will start the men to work.

Senator HEYBURN. To compete with you?

Mr. FOLLANSBEE. Yes, to be sure, or to compete with anybody else. I have done it.

Senator HEYBURN. I am not making this a personal accusation, but suppose somebody already established does not want the field made so attractive by protecting the home market that other men will engage in the business; in other words, suppose they do not want to make opportunity to build up further competition at home. That condition is possible, is it not?

Mr. FOLLANSBEE. Oh, it is entirely possible, but it does not exist.

Senator HEYBURN. Must not that be taken into consideration in making a tariff? It is not alone the men who are in the business that are to be protected, but it is the men who want to go into the business or who may want to go into it.

Mr. FOLLANSBEE. They will be protected under what we are suggesting—1 cent a pound.

Senator HEYBURN. After they get in; yes.

Mr. FOLLANSBEE. We are covering them.

Senator HEYBURN. At 1 cent a pound?

Mr. FOLLANSBEE. Absolutely.

Senator HEYBURN. And you are reducing the duty on lead when it comes into the United States? That is the reason I asked you about tin sheet.

Mr. FOLLANSBEE. I am not.

Senator HEYBURN. Your concession of a reduction from the present duty to 1 cent a pound does that.

Mr. FOLLANSBEE. I am talking about steel, not lead.

Senator HEYBURN. But the lead comes in with the tin. Terne plate brings in lead in large quantities.

Mr. FOLLANSBEE. I have never seen any of it.

Senator HEYBURN. You have not? I will state, then, that lead comes in in connection with it, and it is provided in the language of this bill that it shall come in at the same rate as the tin plate. The language is:

And sheets or plates of iron or steel, or taggers iron or steel, coated with tin or lead, or with a mixture of which these metals, or either of them, is a component part.

Would not that lead come in at this rate?

Mr. FOLLANSBEE. It would come in on terne plate.

Senator HEYBURN. Yes; but it would come in in competition with the lead of the United States. If the lead did not come in in that way, the terne plate makers in this country would buy the home product instead of importing it in that shape, would they not?

Mr. FOLLANSBEE. I want to assure you, Senator, that you and I are exactly in the same boat. We agree absolutely. I want to assure you, further, that the duty of 1 cent a pound that we are suggesting is going to protect very reasonably the American tin-plate industry, whether the plate be coated with tin or lead.

Senator HEYBURN. But it would not protect the lead industry to reduce the duty one-half cent a pound—\$10 a ton.

Mr. FOLLANSBEE. We are not reducing the duty on lead. The lead that is on tin plate amounts to hardly anything.

Senator HEYBURN. It must amount to something, because you said it represented one-third of the enterprise.

Mr. FOLLANSBEE. No; I beg your pardon.

Senator HEYBURN. You and I are not antagonistic on general principles; but one of the dangers that threatens the principle of protection—and with me it is a principle, and not a matter of expediency—

Mr. FOLLANSBEE. With me it is a principle, also, absolutely. I am a Republican protectionist.

Senator HEYBURN (continuing). The thing that threatens it is a discrimination of that kind. Another thing that threatens it is that any well-established business should want to reduce the duty. There never is a time when the duty ought to be reduced.

Mr. FOLLANSBEE. Then let us put it up. That will suit me first-rate.

Senator HEYBURN. Let us leave it where it is.

Mr. FOLLANSBEE. That will suit me very well, too.

Senator HEYBURN. I do not like to see a protectionist coming here and even suggesting a reduction of one man's duty for the benefit of another.

Mr. FOLLANSBEE. That will suit me most admirably. Probably that was the mistake we made in appearing before the Underwood committee.

The CHAIRMAN. I suggest that Mr. Follansbee, who is thoroughly familiar with this subject, be permitted to go on for a little while in his own way.

Senator HEYBURN. Mr. Chairman, I appreciate that suggestion, but any member of the committee certainly must be permitted to ask questions that in his judgment will tend to throw light upon the subject. I intend to discuss this question upon the floor of the United States Senate, and I want in this record every basis of fact that will enable me to do it.

The CHAIRMAN. There is no disposition to coerce any member of the committee.

Mr. Follansbee, will you proceed?

Mr. FOLLANSBEE. On page 1425 of the Congressional Record, Congressman Palmer refers to the establishment of the general iron and steel industry, and although he does say "exclusive of black-plate mills," he refers to it very much as though the inference should be drawn that it was all established. I repeat that to emphasize the fact that the tinplate industry was established only in the year 1891 and has grown to its present proportions since that time. I wish to emphasize the character of the American tinplate workmen at the present time, and it is very pertinent at this time, when we are having so many sociological discussions with regard to the condition of labor in this country.

I should like you to go to some of these new tinplate towns—our own, for instance, established within eight years, where formerly there was simply a farm and where now there are paved streets that are watered and sewered, electric lights are in the houses, natural gas is in the houses, they are served by steam railroads and they are served by the electric railroads.

In our town, if I may mention it, with something under 3,000 inhabitants, there are four large church buildings and a fifth under one erection, and the largest and biggest and best building in the whole town is the public high school. I lay great stress on those conditions in our present tinplate towns.

I wish to refer to the brief which we are making a part of the record. On page 2 of that brief we show that the tinplate manufacture of this country aggregates 800,000 tons and requires in its manufacture, through the process of mining the metals that enter into it—

Senator HEYBURN. Give the value per ton. You have given the number of tons; give the value per ton.

Mr. FOLLANSBEE. It amounts to about \$52,000,000 altogether, which would run between \$60 and \$65 a ton.

Senator HEYBURN. About \$60 a ton, in round figures?

Mr. FOLLANSBEE. Above \$60.

Senator SMOOT. Were your going to read at this time the statement by Mr. Palmer?

Mr. FOLLANSBEE. I am going to refer to it at several places here, because it is very pertinent to the situation, as showing the misunderstanding and misconception that the committee that wrote this bill had of the tin-plate business.

Senator SMOOT. I do not think you ought to be too hard on Mr. Palmer; because in his opening remarks, defending the bill, he says:

I am not an expert upon the general tariff question, nor have I any other than the ordinary knowledge of that particular phase of the question which is involved in the discussion of the proper rates to be levied upon metals and the manufactures of metals.

Mr. FOLLANSBEE. I read that before you came in, Senator, in my earlier remarks. I referred to that very point, which should be well emphasized.

In the manufacture of this 800,000 tons of tin plate there are required 1,900,000 tons of ore, 1,100,000 tons of coke, 525,000 tons of limestone, 1,000,000 tons of pig iron, and 925,000 tons of steel. Those items, in the aggregate, as concentrated upon the final item of manufactured tin plate, represent largely labor. In addition, in making this coke and for steam purposes, for purposes of annealing, etc., the coal consumption alone in the making of this 800,000 tons of tin plate is about 3,200,000 tons. Figure that into a working year, say an average year of 250 days for the coal miner (and I believe that is large for the mining industry), and you would have 800,000 days for one man, or you would have 3,000 miners working every day in the year to provide the fuel for the production of this 800,000 tons of tin plate.

Senator HEYBURN. That is just the coal item?

Mr. FOLLANSBEE. That is the coal item alone.

Senator HEYBURN. Can you give us the iron item?

Mr. FOLLANSBEE. I could not get that, Senator. This thing had to be gotten up pretty hurriedly. We were told to get down here quickly. The bill passed the House, you will recollect, very rapidly.

Senator JOHNSON. You furnished that brief three years ago, and you say you furnished the same brief now in all except one particular?

Mr. FOLLANSBEE. We had to add to this as the industry had grown of course.

Senator JOHNSON. I understood you were going to make one change to make the brief conform to a suggestion which you now make, in addition to what is in the brief which you furnished the Ways and Means Committee.

Mr. FOLLANSBEE. That is with regard to the recapitulation, in which we make up our duty which enters into the raw material. I simply do not happen to know as much about the mining of ore as I

do about the mining of coal; that is all, Senator. It is rather in a lessened figure, although it will aggregate thousands of men on this same basis.

In this general connection I may state that the industry has grown so rapidly, and so many mills have been erected—entirely by independents, I believe; I understand the large company has not increased its capacity—that there is a very considerable overcapacity at the present time. This is resulting in very great competition among the American plants, which has reduced the prices to proportionately the lowest rates that ever have existed, except as influenced by the item of block tin, which is very high and which is not produced at all in this country, but is largely controlled by speculators in England.

Senator HEBURN. Why can it not be produced in this country?

Mr. FOLLANSBEE. The McKinley bill put a tariff on block tin to induce prospectors to develop block tin mines; but they simply have not been able to find them. I sincerely hope they will find them in time; but at the present time block tin is free.

On the second half of page 2 of this brief we itemize the factors that make necessary the duty. First is lower foreign labor; second, lower cost of foreign raw materials; third, smaller foreign capital investment; fourth, freight costs from mills to consuming points. Of those factors, I say in the brief, there has been practically no change since 1909 in 1 and 3, and but a slight change in 4; but in No. 2, the lower cost of foreign materials, there has been a very considerable change, which will be referred to a little later.

On page 3 we have detailed the difference in the wage rates between Wales and America; and these are absolutely authentic as regards the large items of skilled labor, which are controlled by wage scales. We state that in the United States they are taken from the wage scales of the Amalgamated Association of Iron, Steel, and Tin Workers, and the Tin Plate Workers' International Protective Association of America. In Wales they are taken from the wage scales of the Tin Plate Section Dock, Wharf, Riverside, and General Workers' Union of Great Britain and Ireland. The general labor in the United States is taken from the American Mills' pay rolls, and we were liberal in estimating the general labor in Wales as one-half of that. We made a grave mistake there, I am quite sure that the common labor in Wales probably does not receive more than 30 per cent of the amount that ours receives.

You will notice that this brief shows the United States labor item in the tin mills proper. This does not include the mining of coal, the making of coke, the smelting of the pig iron, or the conversion of the steel. This is the direct tin-mill wage rate. In the United States it amounts to \$22.95 per gross ton. In Wales it amounts to \$12.73 per gross ton—a difference of \$10.22 for 2,240 pounds, or the equivalent of 45.6 cents per hundred pounds. And on that item we are asking that we be given protection to cover that difference in foreign labor of 45.6 cents per hundred pounds.

Gentlemen, this question of tariff is wholly a question of labor, after all. It may be labor in the coal mine, or in the ore mine, or in the coking field, or on the railroads. I can not refrain from mentioning the fact that the presentation of this tariff bill showed a conflict between Congressman Palmer and the Bethlehem Steel Works; and I have no business to refer to that except to correct an impression

that might exist in this connection. Mr. Palmer says, on page 1431 of the Congressional Record.

Mr. Schwab is a seller of pig iron, and he sells everything carried in this schedule up to wire.

Mr. Schwab does not make tin plate, and they never have made tin plate in Bethlehem.

I read from page 1436; and this was not only said by Congressman Palmer, but it was reiterated by Congressman Underwood, and it is printed as a part of the Record. They have outlined here in great detail the wages in Bethlehem. They say:

Forty-eight and five-tenths per cent of all employees were getting less than 16 cents an hour, 31.9 per cent less than 14 cents, and 61.2 per cent less than 18 cents an hour.

I have nothing to do with that, except that he couples it all up with the tin-plate business; and that is the reason I want to draw the distinction.

On the same page, over on the left-hand side (p. 1436), Congressman Palmer states that according to the statistics of the State of Pennsylvania—he does not give the year, but I think it was about 1909—the average annual rate of the tin mills in the State of Pennsylvania was \$700.72.

That figures out \$2.80 per man. It includes not only the high-priced labor but the low-priced labor. If those be the statistics of the State of Pennsylvania, I think those of us that are operating our plants in West Virginia are making a better showing. I can not go into the details of my competitors' pay rolls, but I have no hesitation at all in stating that Follansbee Bros. Co. in the year 1911 paid on an average to each one of the men in their tin-plate department, including the laboring hands, \$3.25 per day, and their earnings averaged \$874 per annum.

I want you to mark the great contrast between the low-priced labor that they emphasize in presenting this bill as existing in Bethlehem and what exists in the tin-plate works of this country.

Senator SMOOR. Mr. Schwab testified before the committee that the average rate of wage in his plant was seven hundred and seventy-odd dollars per year, as I remember.

Mr. FOLLANSBEE. Which apparently does not confirm the statement of these tables that they included in their presentation of the bill. Of course Mr. Schwab is the man to deny the conditions that were claimed to exist in his mill; but I am denying them so far as the inference is being drawn that they exist in the tin-plate mills. They do not.

Every once in a while the criticism is made that these steel workers are making too much money. The highest-priced expert rollers in our own individual plant last year averaged \$8.90 a day. I want to say to you, gentlemen, that I have the highest respect for a man who goes through college and takes a law course and studies hard for years. I have no less respect for the American boy who goes from high school and goes into the mill and works his hands and his feet and his back and his head eight long hours to learn to be a roller, and makes that \$8.90 a day. A tin roller is just as much of a professional man as a lawyer or a doctor or a preacher; and you can not get along without his intellect.

You come down, then, to the others—rollers, heaters, and doublers. I do not want to go into too great detail; but they get from \$4 to \$5 a day, and they are using their heads all the time as well as their hands and their feet and their backs.

Then we come down into the tin house, where the labor is not so skilled, and where you can teach them easier and quicker, and they will make \$2.50 and \$3 a day.

Then you come down to our laborers, and you will find them averaging from about \$1.60 to \$1.80, depending a good deal upon whether it is inside labor or outside labor.

Senator SMOOT. That is eight hours per day, is it?

Mr. FOLLANSBEE. I am just coming to that, Senator.

In the Bethlehem presentation there was great emphasis laid on the 12-hour day and the seven-days-a-week work. In contrast with that, our skilled men in the tin-plate mills work eight-hour turns. The unskilled men and the laborers work 10-hour turns. The average in the tin mills of the country is undoubtedly less than nine hours—for which, recollect, I said that in our own works the average was \$3.25 per day, or \$874 per annum.

On page 4 of our brief we take up the item in which there is the very material difference from the presentation of three years ago, when steel sheet bars (the raw material for the tin mills) were \$6 a ton less in Wales than in the United States, our cost then being \$27.50, and the cost in Wales \$21.50, or a differential in favor of Wales of \$6 per net ton of 2,000 pounds finished tin plate, or 30 cents per hundred pounds.

If the present conditions were to exist, whereby times would be very good (as you gentlemen know they are) in England and Wales in the iron and steel business, and coincidentally at this time very bad (as a great many gentlemen have been testifying here this week they are) in this country, we of course would deserve no protection on raw material. But, as we state in this brief, the recession from that \$6 differential has come only within the last 18 months. We do not want to be put in the position that in another 18 months, with the prosperity that we are hoping for, at least, our raw material will cost a great deal more than the Welsh raw material. We have said in this brief—and this is the only reason, Senator, we are suggesting any reduction—that we will split the 30 cents a hundred that we asked before to 15 cents a hundred, which practically covers the difference between the 1.20 that the Payne bill granted and the 1 cent that we are now conceding.

I believe that within a reasonable period—this is my own personal belief; I do not know whether my associates in this presentation, the men I am representing, will agree with me absolutely or not—but when a period of three years or five years shall have gone by, with our raw material averaging just as low as theirs, I do not think we ought to have any protection on it.

Senator HEYBURN. You can not keep up the spirit of protection in that way. The party that believes in it will go out of business.

Mr. FOLLANSBEE. That is my own individual opinion, although I am a very strong protectionist.

Senator HEYBURN. That is making protection a matter of expediency rather than of principle.

Mr. FOLLANSBEE. On page 5 we have outlined the smaller capital foreign investment, and have shown how it influences the upkeep of plant, and so forth, amounting to 10 cents per hundred pounds. As illustrative of how little capital has to do with this subject, and that it is practically all labor either in the mines or in the mills or in transportation, I will state that all the protection capital is asking in the way of duty is 10 cents out of our dollar.

Senator HEYBURN. How much is opportunity asking? Capital is not all; opportunity is something.

Mr. FOLLANSBEE. They have it under what we are suggesting.

Senator HEYBURN. I do not want to differ with you, but simply to point out these matters, because they are at the heart of this investigation.

Senator LODGE. Mr. Follansbee, can you give us the prices after the imposition of the McKinley duties?

Mr. FOLLANSBEE. I have them all here, Senator.

Senator LODGE. I should like to have those put in.

Mr. FOLLANSBEE. Yes; they are in this brief.

Senator LODGE. That is, the effect on prices of building up the American industry.

Mr. FOLLANSBEE. It is all in this brief and covers a period of years, showing what it was before the McKinley bill established the industry in this country, and what it has been since, and what it is now.

Senator JOHNSON. Is that down to date?

Mr. FOLLANSBEE. It brings it right down to date.

Senator LODGE. Roughly speaking, the American product has lowered the world's price?

Mr. FOLLANSBEE. Tremendously.

Senator JOHNSON. Can you furnish, also, the wages paid in the industry for the same period of time?

Mr. FOLLANSBEE. I have read that.

Senator JOHNSON. The average wages from 1890 down to the present time, by years?

Mr. FOLLANSBEE. I can not do that as regards Wales. It is pretty hard to get the Welsh figures, you understand.

Senator JOHNSON. I mean in this country.

Mr. FOLLANSBEE. I can cover it very nicely in this way by saying that the American wage earner——

Senator JOHNSON. No; I do not want it in a general way. Can you give it by years? If you give the price of tin from 1890 down, can you give the average wages in this country?

Mr. FOLLANSBEE. I have no doubt I can get them from the records of the Amalgamated Association. I have not them personally. But let me give it to you generally, if you please, in this way: The American tin-plate worker is to-day making as high, if not higher, wages per day than ever.

Senator JOHNSON. Do you mean higher than he did in 1895?

Mr. FOLLANSBEE. When did the Wilson bill pass?

Senator JOHNSON. In 1894.

Mr. FOLLANSBEE. The American workman got a higher rate per ton when he was learning the business. The Wilson bill reduced the duty from \$2.20 to \$1.20, and the American mills shut down.

Senator JOHNSON. The Wilson bill had the same rate as to-day, under the Payne bill.

Mr. FOLLANSBEE. Yes. As I stated before the Payne Ways and Means Committee, the difficulty with the Wilson bill on tin plate was that it was eight years too early. That was all. We had not learned the business.

I believe the American tin-plate worker to-day is earning more than ever per diem. He is not earning quite as much per ton, because the manufacturer has substituted larger mills, which very greatly increase the tonnage output, and the workingman divided that with the manufacturer.

Senator JOHNSON. Is he earning as much as he did in 1908?

Mr. FOLLANSBEE. I think without question he is earning more per day than he ever earned before. I am willing to stand on that position. He is earning more per day than he ever earned before.

Senator McCUMBER. The expert roller is earning \$8.25 to-day?

Mr. FOLLANSBEE. He is in our own mill. Last year he earned \$8.90 per day.

Senator McCUMBER. That is something more than the average president of an American college receives, is it not?

Mr. FOLLANSBEE. That is a bad subject to get me on. I think the professors and the preachers are treated most abominably.

Senator McCUMBER. Certainly your laborers, in comparison, are treated very finely.

Mr. FOLLANSBEE. Understand this, Senator, which I emphasize in my remarks here: They are the few who have spent years of hard work and brain study to learn how to operate in those positions. With all due respect to the college professor, some of those rollers have studied just as hard and have sweated a whole lot harder to get to their position of \$8.90 than the college professor has; and the brain of that roller is exercised every day, every minute, to know how to do that work right.

Senator McCUMBER. You compare them also with the study of those who are practicing law. I saw some statistics a short time ago which show that the average lawyer in the United States is earning half of what your roller man is receiving, although he works much more than 8 hours, or 10 or 12, or probably 16 hours a day, 7 days in the week, and probably Sunday forenoons.

Mr. FOLLANSBEE. I think you had better pass a new bill here, then, to stop that. I do not believe in seven days' work in the week; I do not believe in 12 hours' work in the day.

Senator McCUMBER. I spoke of it simply in connection with the matter of wages. Certainly, you are not contending that your men are not getting very good wages?

Mr. FOLLANSBEE. They are getting excellent wages, but I couple with that that they deserve it.

Senator HEYBURN. I trust the Senator does not mean that the man works Sunday forenoon. He said six days and a half.

Senator McCUMBER. I know a great many of them do.

Senator HEYBURN. It seemed to me to indicate that they did not go to church. [Laughter.]

Mr. FOLLANSBEE. In the framing of this bill the present Ways and Means Committee have conceded the differences in the tin mills between America and Wales, and have granted us that 45 cents a hundred pounds. They have conceded the difference in capital investment between Wales and America of 10 cents per 100 pounds,

and have practically given us in this 20 per cent ad valorem rate a protection of 55 cents a hundred pounds, as against the \$1 per 100 pounds that we asked.

The crux of this difference, however, depends on the point of consumption of tin plate, and that, of course, is what represents the consumer's cost. As we state in our brief here, two-thirds of the consumption of tin plate is at the seaboard. There are two reasons for that. Tin plate having been all imported for many years, it was natural that the buyer in this country should wish to be located at the cheapest point, of course, which was at the seaboard, and they are still there. The other, and more important reason at the present time, is that from 90 to 95 per cent of all the tin plate that is manufactured any place in the world—in this country, Wales, or wherever it is made—is used for containers, cans, what you see on the dump heap, and most of it is used for foods. Along on the eastern seaboard, Baltimore, for instance, is the largest consumer of tin plate in the world. You know of the oyster industry at Baltimore, and the canning of oysters. You know of the canning industries located in Virginia and Delaware, their crops of peaches and tomatoes and vegetables of all kinds. You go farther north, into Massachusetts and up into Maine, and you have the sardine packing all along the seacoast. You go down to the Gulf States and to a minor degree—they do not do quite as much manufacturing there—the same thing obtains. You go out to the Pacific coast and it is a very large and a very growing item in their salmon packing, all in cans, and in the State of California their fruit and vegetable packing, all in tins.

Senator HEYBURN. Just extend that up north, please; there is lots of packing there.

Mr. FOLLANSBEE. Yes; the canning of fruit. So you can see how natural it is that fully two-thirds of the tin-plate consumption is at the seaboard.

Senator McCUMBER. There is considerable corn canning in Wisconsin and Minnesota, is there not?

Mr. FOLLANSBEE. Yes; but comparatively it is small. It is growing, but not growing anything like the Pacific coast trade, which is growing by leaps and bounds and is largely accountable for the great increase we have had. The freight rate, of course, comes in, and it makes the question of tremendous importance. I would like to read what Congressman Palmer has to say on that. On page 1427 of the Congressional Record he says:

The effect of railroad-rate reduction is to extend the overlapping markets of the various steel and iron centers just the distance that the lowered rate will permit the manufacturer to ship his material farther than he could do under the higher rate. A like result will, obviously, flow from the reduction of the customs duties upon these heavier forms of iron and steel production, where transportation charges so largely enter into the final cost. A lowered duty will widen the zone of competition between the foreigner and the American manufacturer to about the extent that the reduction in duty will pay the transportation charge inland from the port of entry.

Our consuming point of two-thirds of this industry is at the seaboard, at the point of entry.

On page 1428 Congressman Hill asks:

If we meet the competition, and we would meet it if we are able to do it without protection, where is your revenue if we do not have the increase?

And Congressman Palmer replies:

There will be an increased importation, because the American will not be so easily able to meet the competition in certain sections of the country. The American will have a market which will be a little more, only a little more, restricted than he has at present, the foreigner being able to pass the port of entry a little farther than he has been able to do in the past.

You can see how very seriously that is bound to influence tin plate, where the consumption is right at the point of entry, and where the foreign competitor will pass that point.

In our brief, on page 6, we recapitulate these different items. The lower foreign labor amounts to 45.6 cents per 100 pounds; the lower cost foreign raw materials, 15 cents per 100 pounds; smaller capital investment, 10 cents per 100 pounds, and freight costs from mills to consuming points, an average of 40 cents. The rate from the Pittsburgh district to San Francisco is 70 cents; the rate from the same district to New Orleans is 34 cents; the rate from the same district to New York is 17 cents; and we average it at 40 cents. It is not necessary to go into the detailed explanation of that, because I am going to show you a little later on that Congressman Palmer shows they are simply going to take that trade, the Pacific Coast trade and the Gulf trade.

Senator HEYBURN. That is, he admits that the foreigner will take the Pacific coast trade.

Mr. FOLLANSBEE. He absolutely admits it; and that is the reason he makes the tin-plate figures—if you will excuse the expression—the “goat” of this Underwood bill. I am going to show you, before I am through, that it takes from us on the Pacific coast the entire increased revenue that they propose under this bill of a million dollars. Those four items total the equivalent of 1.11 cents per pound, as against which we believe we can stand in times of burden, and could control the American tin-plate business, a duty of 1 cent a pound, with incidental importations at exceptional times; although I want to personally emphasize—and I emphasize this, I think, a little more than some of my competitors, who were a little more strenuous on the revision of duty than I was—I want to call attention to the fact that since the duty of 1½ cents a pound of the Dingley law was reduced to the 1.2 cents per pound, of the Payne law, the importations on the Pacific coast—and this is from the Department of Commerce and Labor—were largely increased. In the year ending June 30, 1909, they were 386,010 pounds; with the reduced duty from 1.5 to 1.2, for the year ending June 30, 1911, they were 6,691,616 pounds, or an increase of 118 times. I do not want to overemphasize that.

Senator JOHNSON. The importations through the whole country fell off, did they not?

Mr. FOLLANSBEE. Yes, sir; considerably. We have nothing to conceal in this tin-plate business.

Senator LODGE, I think this is what you wish to emphasize. The establishment of the American tin-plate industry under a reasonable tariff most emphatically has not increased the cost to the domestic consumer, but, on the contrary, has reduced the price, as shown below. We have tables here, then, for the period from 1872 to 1878, when the duty was 15 per cent ad valorem. Including that duty the average price to the American consumer was \$7.30—that is for Welsh tin plate, with the duty added.

Senator LODGE. That is per hundredweight?

Mr. FOLLANSBEE. Yes, sir; although we call it ordinarily a box. but a hundredweight box is a standard in tin plate. It is both box and per hundredweight. During the period 1879 to 1891, when the duty was 1 cent per pound, strictly a revenue duty, added to the Welsh cost, the American manufacturer was paying \$4.81 per box of 100 pounds. Up to that time there had been no American tin plate made here, excepting a few industries had attempted to make it and had gone into bankruptcy; they could not do it. For American tin plate, for the period 1904 to 1908, when we had the Dingley law of 1.5 per pound, the American consumer paid, on an average, \$3.48. For the period 1909 to 1911, which includes from the passage of the Payne bill to the present time, when the duty is 1.2 cents per pound, the American consumer has paid on an average \$3.38 cents; and we added a note here saying that during this time the price of block tin, all of which is imported free of duty, largely used in the manufacture of tin plate, has averaged 2 cents per pound higher than for the period 1908. Were it not for this factor, the average price for 1909-1911 would have been reduced to \$3.34.

Senator LODGE. Is that advance in block tin owing to the increase in metal?

Mr. FOLLANSBEE. The price of block tin is absolutely controlled by a syndicate of London speculators. They have been able to very greatly advance it during this period, the last three years, and even before that, and maintain it, owing to the very much increased production of tin plate, less than the largely increased consumption of block tin.

Senator LODGE. It all comes from the Malay East Indies, does it not?

Mr. FOLLANSBEE. Practically all. Any advantage there may be in the price of block tin goes to the Englishman, because the price is controlled in England. I do not know how much that advantage may be; it is impossible to find out.

On page 7 of our brief we give a summary of import duties on tin plate. In 1864 it was 25 per cent ad valorem; no American manufacture. In 1872, 15 per cent ad valorem; no American manufacture. Right at that period—I do not know what bill it was, but it was prior to 1872—there was the intent undoubtedly to protect the American tin-plate industry, and 3 mills started, one at Demmler, Pa., to which I have referred before; one at Wellsville, Ohio, and the third at Leechburg, Pa.; and the Leechburg plant was owned and manned by a Welshman who knew the business from a to z. That tariff bill, which I think was the act of 1864 probably, or a little later than that, read, "Tin plate or iron, galvanized, shall have a duty"—I think it was 2½ cents a pound. It was abundantly protected. Secretary of the Treasury Fessenden, to whom the importers appealed after the establishment of these 3 small plants—

Senator LODGE. That was 1862.

Mr. FOLLANSBEE. I am a little confused in my dates.

Senator LODGE. You must be. Mr. Fessenden was Secretary of the Treasury during Lincoln's administration.

Mr. FOLLANSBEE. That is the fact then. He interpreted that to mean tin plates galvanized, or iron galvanized, an absolute absurdity, because a coating of spelter zinc has never yet been put on a coating

of tin. He personally and individually inserted a comma in that bill and made that interpretation, and these three small plants simply went into bankruptcy and quit. The industry was stifled there absolutely and never again turned up until the McKinley bill was passed.

The bill of 1883, strictly a revenue tariff measure, provided for 1 cent a pound. In 1890 the McKinley bill, effective July 1, 1891, was 2.2 cents per pound, and we have the notation here, "Many mills built and a rapidly growing industry developed." Eighteen hundred and ninety-four, 1.2 cents per pound: "Growth halted, mills shut down, strikes, labor reductions, and so forth."

Eighteen hundred and ninety-seven, 1.5 cents per pound: "Industry revived, many new mills built. Employment given to thousands additional workmen. Prices greatly reduced."

Nineteen hundred and nine, 1.2 cents per pound: "Phenomenal growth in the industry. Capacity greatly increased. Prices further reduced and consumption increased 33½ per cent, and in 1911 amounted to 800,000 tons as compared with 329,000 tons in 1890, prior to beginning of manufacture in United States."

You can see, gentlemen, from this mention that the American tin-plate industry has been the football of the tariffs. We hope we are not to be so adversely treated. We want to see—and I think we can quite clearly—what the effect on this industry is going to be should this Underwood bill become a law.

Thereupon at 1.10 o'clock p. m. the committee took a recess until 3 o'clock p. m.

AFTER RECESS.

The committee met, pursuant to the taking of a recess, at 3 o'clock p. m.

STATEMENT OF MR. A. F. HUSTON, OF COATESVILLE, PA., REPRESENTING THE LUKENS IRON CO.

The CHAIRMAN. Will you state your full name?

Mr. HUSTON. Abram F. Huston.

The CHAIRMAN. Your works are at Coatesville?

Mr. HUSTON. Coatesville, Pa.

The CHAIRMAN. What line do you manufacture principally?

Mr. HUSTON. We make steel plates for boilers, ships, bridges, tanks, and similar work—flat plates.

The CHAIRMAN. Will you state in your own way your views with regard to this proposed legislation?

Mr. HUSTON. I consider it will be disastrous to our line of business to reduce the duty as proposed. We are already just on the balance point. I might state that we ship more steel plates to the Pacific coast, largely, than any other concern. I telegraphed to get the latest advices. The German plates are quoted cheaper than we can get overland to the Pacific coast, but we are able to hold and get some advantage in price; they would rather deal with the home maker. But if there is a lowering in duty, naturally the whole of that territory will go to the Germans, or other foreign countries. The Germans seem to be the most progressive and make the lowest prices. What

would occur on the Atlantic coast I do not know; but I am very sure all the Pacific coast would go, and we could only hold the Atlantic coast by radical reductions in wages.

The CHAIRMAN. How many men do you employ?

Mr. HUSTON. In busy times we employ from 1,500 to 2,000 men. Of course we are not employing that many now. We have seen the ups and downs whenever there has been a proposed change in the tariff, and it paralyzes business until we know where we are. I have been through several of them, having been in business continuously for 40 years this coming summer, and through four generations continuously, in the same spot, formerly in the iron business, of course. Steel is a more recent affair.

The CHAIRMAN. This agitation about tariff revision has had a serious effect on your business?

Mr. HUSTON. It has; so that we have been running part of the time only 40 per cent. At present we are probably running 50 per cent, or a shade more. But we have not for a good while been running anywhere near capacity. And I might say that at present, and for some time past, we have been having to take orders below cost. We want to keep the works moving, keep our men employed, and we figured we could better lose some money in taking business during this time, to tide over a bad time, rather than shut down our works and destroy our organization and our place in the trade generally.

I did not come with any set speech, but just to make a few general remarks, and to protest most emphatically against this proposed change, which would be disastrous, I feel, to our business.

The CHAIRMAN. Then you have nothing further to say?

Mr. HUSTON. I do not know of anything further that I could add to that. I desired to say just a few words, to state my position.

The CHAIRMAN. All right. The committee has been glad to hear from you.

STATEMENT OF MR. SAMUEL M. HYNEMAN, OF PHILADELPHIA PA., REPRESENTING THE KEYSTONE WATCH CO.

Mr. HYNEMAN. Mr. Chairman, Mr. Roscoe C. McCulloch, who represents some of the American watch manufacturers, has just stepped out of the room, and in his absence, and for him, I desire to present a brief, which embodies in it practically all that the watchmakers have to say concerning the subject; and they desire that I, for them, enter a serious protest against the proposed bill.

The CHAIRMAN. The brief will be received.

Mr. HYNEMAN. I have further to say that without much doubt the manufacturers themselves will appear before the committee at a later date.

The CHAIRMAN. I think it would be well for some of the principals to appear before the committee.

Mr. HYNEMAN. I will have that done.

The brief referred to will be found in the appendix.

STATEMENT OF MR. W. U. FOLLANSBEE—Continued.

The CHAIRMAN. Now, Mr. Follansbee, you may continue your statement.

MR. FOLLANSBEE. Mr. Chairman and gentlemen, there was a great deal of interest manifested this morning as to who might be the other members of the subcommittee of three, which I have been quite curious to find out myself, and I have been informed since then that it was Congressman Hull, of Tennessee, Congressman Dixon, of Indiana, making up the subcommittee with Congressman Palmer as chairman, who formulated this iron and steel schedule.

Senator SMOOT. Mr. Dixon is a Democrat from a little town in Indiana?

MR. FOLLANSBEE. He is from Indiana; I do not know which district he is from. The names were just given to me on a slip.

I would like to outline, now that we have gone over the wages, etc., the effect that the proposed Underwood bill, with its 20 per cent ad valorem on tin plate, will have on the industry. It is astonishing, as the Congressional Record is gone over, to see the very great importance made of the item of tin plate. There are many paragraphs in the Record bearing directly on the subject of tin plate. Notwithstanding the fact that there are hundreds, and, I presume, almost thousands, of items in this iron and steel schedule, in their infinite variety, when it comes to the summary, the one item of pig iron is given column after column; practically, however, being an outline of the differences, evidently, of Congressman Palmer with his own constituents, the Bethlehem Steel Co. Tin plate is then further made much more prominent than most items in that in the summary it is given over two columns, while no other items are mentioned whatever, excepting aluminum, to which is devoted about three-quarters of a column; and umbrella ribs, something over one-half column.

To show, now, that this subcommittee, and the House, accordingly, which has so supinely accepted their recommendations, are proposing to deliver over to the foreign manufacturers the Pacific coast trade and the Gulf trade, I beg leave to again refer to the Congressional Record, and Congressman Palmer's own individual mention, this, of course, showing the influence of freight rates on this industry, the consumption of which is so largely located at the seaboard. The Congressional Record date is January 26 of this year. The page of which I am now speaking, as to the effect on the tin-plate industry, is 1428, on the first column, two-thirds of the way down the column.

MR. PALMER. I am not declining to yield, but I trust the gentleman will not ask his questions so rapidly as to shut off reply. Take, for instance, tin plate. Tin plate sells at a certain price in Pittsburgh. It costs the consumer in New Orleans or San Francisco very much more because, obviously, it costs money to carry it across the continent. Now, the foreign manufacturer can never in a thousand years, perhaps, with all the reduction we put on the article in this bill, bring his tin plate into Pittsburgh, but he can lay it down at New Orleans and at San Francisco at a price which the Pittsburgh manufacturer can not meet, and the Pittsburgh manufacturer will not have to meet it, because the natural increase in the consumption and demand for this product will still leave him, as an American manufacturer, a market which will be sufficient to take the ordinary supply.

Gentlemen, I want to again emphasize the fact that this market is not in the interior, but it is at the coast, and Congressman Palmer proposes to take the coast trade from us, and there is not the market

in Pittsburgh or in the interior, except for about one-third of the entire American consumption.

Senator HEYBURN. Do you mean a market to the jobber, the wholesaler, or a market to the consumer?

Mr. FOLLANSBEE. I mean a market to both, to anybody who buys, sells, or consumes tin plate in the United States.

Senator HEYBURN. You mean it is distributed from one coast to the other?

Mr. FOLLANSBEE. Yes, sir.

Senator HEYBURN. Of course, it goes inland to a large extent?

Mr. FOLLANSBEE. There is trade in Chicago, of course, and trade in St. Louis; but all that in the aggregate is only about one-third, the two-thirds being at the coast points.

Senator HEYBURN. That is, the points at which the manufactured articles are used are on the coast, largely?

Mr. FOLLANSBEE. Yes, where they manufacture the tin plate into other articles.

Senator HEYBURN. Yes.

Mr. FOLLANSBEE. Yes, sir.

Senator HEYBURN. That is the market.

Mr. FOLLANSBEE. And the reason that it is impossible to take the tin plate at the mill and manufacture it there is because, as I said this morning, it goes into bulky cans, which would be out of the question to transport over the continent at a very much higher freight rate. That would apply to cans half as big as this table, and probably weighing more.

Senator HEYBURN. Is it not a fact that the greater part of the tin out of which utensils are made is sent in sheets to the points of manufacture because of the question of bulk?

Mr. FOLLANSBEE. Yes, sir.

Senator HEYBURN. In every little town where there is a tinker shop they are using the material in sheets?

Mr. FOLLANSBEE. They buy it packed in boxes of flat sheets, and then work it up in any shape or form they wish.

I will read from page 1436, the bottom of the second column, and extending over to the top of the first column on page 1437. This is in part of the summary that accompanies the bill as it was presented to the House, after the presentation had been made.

Tin plate is made by the United States Steel Corporation and also by a number of independent concerns, there being now 16 or 17 plants in five States, two-thirds of them in what is known as the Pittsburgh district.

A good deal of this that is mentioned now is what Congressman Palmer got from this brief, his conclusions, however, being the very opposite.

The independents have declared that they would be satisfied with a further reduction of the present duty to 1 cent per pound, or \$1 per package of 100 pounds.

An examination of cost of production and transportation charges, however, clearly shows that such a rate would be just as prohibitive now as 2.2 cents was under the McKinley law. The duty fixed by the pending bill of 20 per cent is equivalent to 64 cents per hundred pounds, and this will result in an estimated revenue of \$1,000,000.

Permit me to repeat that, gentlemen, "this will result in an estimated revenue of \$1,000,000" or take from the American manufacturer for the Pacific and the Gulf coast trade \$1,000,000, to come definitely and specifically out of the lowering of the duty on the tin-plate item.

Senator HEYBURN. What do they estimate the total imports?

Mr. FOLLANSBEE. I have all that here, Senator, and right in that connection I read that the estimate of 20 per cent is equivalent to 64 cents per hundred pounds, and I repeat "this will result in an estimated revenue of \$1,000,000." He is wrong in his figures—64 cents per hundred pounds, which, at 20 per cent, would be \$3.20 as the cost per hundred pounds of the Welsh plate f. o. b. Welsh ports. That is entirely too high. But, conceding that for the basis of figuring, his 64 cents per hundred pounds would equal \$12.80 per net ton, and to accord the estimated revenue of \$1,000,000 would necessitate the importation of 78,125 net tons, or approximately 10 per cent of the American production in the year 1911, or 800,000 tons. He is wrong in the quantity that would be imported. I am going to give you a little later what quantity would come in by freeing these coast ports and giving them practically to the Welsh manufacturer.

Senator SMOOT. Right there I call attention to the fact that the estimated unit value per hundred pounds, as contained in their own report, is \$2.80 instead of \$3.20.

Mr. FOLLANSBEE. I will refer to that later, Senator, thank you. I am very glad you anticipate and realize all these things.

But upon the basis of their own calculation, that 78,125 tons, which they deliberately suggest and propose to turn over to the foreign manufacturer, at 300 tons per annum, is equivalent to the production of 26 American tin-mill units; at 70 men per mill is the equivalent of 1,820 men thrown absolutely out of employment, that their labor may be given to the Welsh workmen. At Congressman Palmer's own estimate of \$700 per annum earned by the Pennsylvania tin-plate worker, the wages that would be lost to these 1,820 workmen in the United States would be \$1,274,000. Our brief shows that in the other wages, in smelting the pig iron, reducing the pig iron to steel, etc., a proportion of about 60 per cent on the raw material of tin plate, which must be added to the lost wages directly in the tin-plate mill, the \$1,274,000 which was mentioned would amount to \$764,000, or \$2,038,000 lost specifically to American wage earners by this proportion of the American product which it is proposed to turn over to the foreigner.

That would be bad enough, gentlemen; and this has simply been figured out from their own illustration. But this coast trade on the Pacific coast amounts to 125,000 tons, approximately. The Gulf trade, including Savannah, where the freight rates are against the American manufacturers, the same as to New Orleans, would amount, in round figures, to 25,000 tons. Adding them together you have practically 150,000, and I am inclined to think it would run fully 160,000 tons, which would be fully 20 per cent of the American tin-plate trade, or double the 78,125 tons which they calculated to be necessary to raise this \$1,000,000 in revenue, which means, accordingly, that you must throw out of their jobs directly in the American tin-plate mills not less than 3,640 men drawing actual wages of \$2,548,000, but also the additional men who are mining the coal to make the coke to smelt the pig iron to convert the steel that goes into these 800,000 tons, increasing the lost wages to the American workmen by \$1,428,800, or a direct total of \$3,976,800. And you are not then including the coal miner, with whom we also greatly sympathize, who is digging the coal to make the steam to run the mills. I do not

know how many additional men that would add, but it would run up into hundreds, and possibly as much as a thousand or more, and their wages thrown in with the others would certainly mean \$5,000,000 per annum lost to the American wage earner.

Senator HEYBURN. And several times that to the people who furnish these wage earners with the things they consume?

Mr. FOLLANSBEE. Absolutely.

Senator HEYBURN. In other words, general prosperity?

Mr. FOLLANSBEE. Absolutely. I want to emphasize their concession of these coast markets. Down below he concedes a freight differential of 7 cents per hundred, which, however, is only the differential in favor of the Welshman between Welsh shipping ports, like Swansea, and New York. For a long period of years you could ship tin plate from the Welsh ports to New York at from 8 to 10 cents per hundred pounds. To ship it from the Pittsburgh district cost 17 cents per box of 100 pounds. Congressman Palmer allows that differential of 7 cents and takes out 45 cents difference in labor, and he takes out 10 cents because of greater capital investment, and he adds that 7 cents differential, making up 62 cents, which, on the first column of page 1437, he concedes to the American manufacturer, and I quote him:

The foreigner has an advantage of 62 cents per hundred pounds, while the proposed duty is 64 cents—

which he says up here. Senator Smoot mentioned a little while ago that they themselves conceded that the price was only \$2.80, and 20 per cent on \$2.80 is 56 cents.

Senator JOHNSON. It is \$3.20, Senator.

Senator SMOOT. That is the last year.

Senator JOHNSON. Yes.

Senator SMOOT. That is with a specific duty; but no telling what the ad valorem would be, if we had an ad valorem duty to deal with.

Senator JOHNSON. But their figures are correct, \$3.20, as given in the report. I understood you to say they were not.

Mr. FOLLANSBEE. You are not entirely correct, Senator, and I am going to develop that a little later on. Figures do not lie, but they frequently deceive, and I believe the United States Government statistician, Mr. Austin, would be almost willing to concede that now, after he has looked into the situation in accordance with some letters I have sent him and in accordance with publications in trade papers.

Senator SMOOT. I do not know what they say. But I notice this, that in Europe the importations for 1910 amounted to \$4,340,041, but there were 154,199,093 pounds imported, and you can plainly see that that amounts to only about two dollars and eighty-odd cents.

Senator JOHNSON. Get the figures for 1911.

Senator SMOOT. I have them here for 1910.

Senator JOHNSON. For 1910 it is as you have given.

Senator SMOOT. And the report so shows for 1910.

Mr. FOLLANSBEE. You will notice that Congressman Palmer has shown us very clearly, by his own argument, that as high an ad valorem duty as 62 cents—that is, with the 20 per cent, would figure 62 cents—the American manufacturer will just be able to hold the Atlantic coast trade, and he will have mighty hard work doing it, because the duty will average, instead of 62 cents, about 56 or 54 cents, or possibly lower than 50 cents, down into the forties.

Senator SMOOT. And the foreigner can use this market at all times for a dumping ground?

Mr. FOLLANSBEE. Most assuredly. It is bad enough without that. Now, I want to confirm Mr. Palmer's own statements. The freight rate from Pittsburgh to New Orleans is 34 cents per package of 100 pounds. As you gentlemen know, water freights are very cheap, and it is about as easy to send on a tramp steamer or even on a sailing vessel heavy goods, compactly packed, easily handled, like tin plate, which is so frequently used as ballast without any tariff charge at all—it is as easy to send it from Swansea, Wales, to Gulf ports at from 8 to 10 cents a hundred pounds as it is to New York; and throwing out the question of no freight charge while carried as ballast, we will take what would approximately be the maximum, of 10 cents, which would show the Welsh manufacturer an advantage of 24 cents over the American manufacturer to transport to New Orleans or other Gulf ports. Add to that 24 cents, and we will see again the 62 cents, which Mr. Palmer thinks it will be, although that is 6 to 8 cents too high, and we have 86 cents.

Senator LODGE. Will the 62 include the 7 cents differential?

Mr. FOLLANSBEE. Yes, sir.

Senator LODGE. In adding the New Orleans differential of 24 cents, you do not add it to 62. You add it to 55.

Mr. FOLLANSBEE. The point Mr. Palmer made in making up his 62 cents was taking—

Senator LODGE. When adding the New Orleans differential, you do not want to add in the New York differential, too.

Mr. FOLLANSBEE. We add that as a freight differential, as we are speaking now, Senator, from Wales to New Orleans, or the Pittsburgh district to New Orleans.

Senator LODGE. Where the figure was 24 cents, as I understood you to say?

Mr. FOLLANSBEE. Yes.

Senator LODGE. But you do not want to add to that your double advantage, both the New York and the New Orleans differential, when you are calculating New Orleans.

Mr. FOLLANSBEE. We are not doing that.

Senator LODGE. I thought the 62 cents included the New York differential?

Mr. FOLLANSBEE. Mr. Palmer is making that his illustration.

Senator LODGE. What makes up the 62 cents he gives?

Mr. FOLLANSBEE. He conceded 45 cents for difference in labor, 10 cents as the difference in material, and that 7 cents.

Senator LODGE. Very well. Now, in making up the New Orleans rate, you want to take the 45 cents for labor and the 10 cents for capital and the 24 cents instead of 7, do you not?

Mr. FOLLANSBEE. I do not know that I entirely catch your reasoning, Senator; but I think we both arrive at the same result.

Senator LODGE. No; because you said the total was 86 cents, but I should say it was 79. I think I must be right about that. If the 62 includes the New York differential—7 cents—of course, in calculating the New Orleans advantage you must not include the New York differential, but only the New Orleans differential.

Mr. FOLLANSBEE. I see now where I got my 62 cents. I am trying to show the freight advantage that the Welshman has over the American in making his shipments to New Orleans.

Senator LODGE. Exactly. How do you make that up?

Mr. FOLLANSBEE. The difference between 34 cents—

Senator LODGE. No; I understand that; you are making up the advantage to New Orleans, and you put in 45 cents for labor, do you?

Mr. FOLLANSBEE. Yes.

Senator LODGE. And 10 cents for capital?

Mr. FOLLANSBEE. Yes.

Senator LODGE. Do you not add the New Orleans differential in freight?

Mr. FOLLANSBEE. But he does not give it to us; we can not add it to it. It is to be subtracted from us.

Senator LODGE. No; I thought those were the advantages that they had. You make up your New York differential—labor, capital, and freight rate.

Mr. FOLLANSBEE. That is not coming into this; we are talking about New Orleans.

Senator LODGE. I am aware of that. Do you not make it up the same way?

Mr. FOLLANSBEE. We do, practically the same way.

Senator LODGE. What is the difference between New York and New Orleans, if you are calculating the advantage?

Mr. FOLLANSBEE. New York is 7 cents in favor of the Welshman.

Senator LODGE. I understand that perfectly. You make up New York with three elements—

Mr. FOLLANSBEE. Yes.

Senator LODGE [continuing]. Labor, capital, freight differential. Now, you make up New Orleans in the same way—labor, capital, freight differential—but you can not add in both the New York differential and the New Orleans differential at New Orleans. To make 62 cents, you add in the New York 7 cents differential.

Mr. FOLLANSBEE. I know my brain is working a little slowly, Senator. I have been here so long, and I am not accustomed to talk so long as this, and I am somewhat exhausted. But I feel quite sure my premises are correct.

Senator LODGE. Very well, go ahead.

Mr. FOLLANSBEE. You can see the Welsh manufacturer has the advantage to New Orleans of 24 cents.

Senator LODGE. In freight?

Mr. FOLLANSBEE. Yes.

Senator LODGE. What other advantage has he?

Mr. FOLLANSBEE. He has the advantage of the 45 cents and the 10 cents—55 cents.

Senator LODGE. Yes.

Mr. FOLLANSBEE. You wish to add that to the 24 and make 79?

Senator LODGE. Precisely.

Mr. FOLLANSBEE. I will try to figure that as you wish it, Senator. The maximum duty that Mr. Palmer is willing to allow us is 20 per cent, which he figures as 64 cents. Now, let us subtract this 64 cents from 79 cents, and we have 15 cents.

Senator LODGE. Absolutely.

Mr. FOLLANSBEE. Or \$3 per ton. I recognize you are just trying to have me straight, and I want to be that way.

Senator LODGE. I entirely agree with your argument. I think you made a mistake in your figures.

Mr. FOLLANSBEE. This 64 cents that Mr. Palmer is wanting to concede us on the basis of \$3.20, the Welsh price, is decidedly high. It is going to average nearer 56 cents, and it is only a few years ago that it would have shown 54 cents. It would add an additional \$2 to the \$3 advantage that he has already added. So we absolutely confirm his own reasoning. If he made a mistake we would be willing to correct him and show him the advantage of it. But we absolutely confirm his own reasoning that it would unquestionably take the Gulf trade. When you go out to the Pacific coast, where our freight is 70 cents, against the foreigner's freight of 30 cents, you see the freight differential becomes 40 cents, and is all the more magnified. And so if he is bound to get the Gulf trade, he is doubly bound to get the Pacific coast trade. I have already shown you that that would amount to 20 per cent of the business and an enormous loss in wages.

As regards this question of Welsh prices, on page 1428 Congressman Palmer says:

To-day, though tin plate abroad sells for \$3.80, the American tin-plate manufacturer seems to be scared out of his wits when he is selling American tin plate here for \$3.60.

I want to give Congressman Palmer absolutely due credit, and I know exactly how he was misled into the statement that the Welsh plate abroad sells at \$3.80. It is only a very limited quantity of the very high grades that are used to the extent of not more than probably 5 per cent of the entire manufacture and which would never be imported into this country except to the incidental extent I referred to this morning, and will still come in irrespective of the duty. But the \$3.80 is absolutely an error as applied to the Welsh price as is also his \$3.60 as applied to the American price. He was misled by the Bureau of Statistics Bulletin for publication Monday morning, December 11, 1911, in which are shown the imports and exports for the month of October for the years 1909, 1910, and 1911, the imports declining from 11,117,035 pounds in 1909 to 1,286,877 pounds in 1911. And the bureau goes on to comment in this way:

The marked decline in the imports during the last two years, as explained in a statement recently issued by the Bureau of Statistics, is due to the high price of tin plates in foreign countries, coupled with the relatively lower prices in the United States. In October, 1911, the average import price of tin plates was 3.8 cents per pound, against 3.2 cents in October of last year, and 2.7 cents in October, 1909. As the value of imported articles is based upon their actual wholesale price in the country from which exported to the United States, the figures quoted would seem to indicate a steady rise in the foreign price of tin plates, due in part to the rapid growth of the canning industry in all parts of the world. The growth in the domestic canning and preserving industry in the United States alone is illustrated by the fact that the value of products has increased from \$38,000,000 in 1890 to \$157,000,000 in 1909. Practically all the tin plate imported into the United States is the product of the United Kingdom.

Gentlemen, you see the great reduction in the amount of imports. In other words, all the cheap stuff was withheld from this country and the high-priced stuff, which is in the very small quantity referred to here, was worth 3.2 cents per pound; but it is immaterial, it is incidental, and it can not figure as a basis of calculation if you are going to let in a large proportion of 90 to 95 per cent quality, which makes up the bulk of the American consumption. He was simply misled on that. He did not make any misstatement at all. It is

not true, and I have written to Mr. Austin, of the Bureau of Statistics, and called his attention to it, and the trade papers took it up after this document appeared and showed very conclusively just exactly what I am stating.

The rate in Wales is practically 7 shillings per 100 pounds for the tin plate, which makes up the large consumption. At \$4.86 per pound, less 4 per cent discount, which they allow, you arrive at a figure of \$2.80, which is shown in these Government statistics, when larger quantities were being imported.

Senator JOHNSON. Is that the tin plate that would be used in canning sardines and corn?

Mr. FOLLANSBEE. Yes; for containers. The freight at 8 cents would make it cost at New York \$2.88, and the 20 per cent duty on that \$2.80 is 56 cents, which, added, would make \$3.44. The rate from Pittsburgh to New York is 17 cents, which, deducted, would show \$3.27 f. o. b. mills in the Pittsburgh district, which is about the price of the American plate to-day.

Senator JOHNSON. What is the price to-day for that same quality largely used in canning?

Mr. FOLLANSBEE. The price varies from about \$3.30 down to some figures pretty close to 3 cents, at which the larger tin-plate manufacturers are selling to the very heavy consumers, and which I have no hesitation in saying is much below cost to the ordinary mill; it is very much below my cost. The market is very greatly demoralized at the present time.

Senator JOHNSON. Why is the market demoralized to-day?

Mr. FOLLANSBEE. Business is dull.

Senator JOHNSON. In the packing industries using containers is there demoralization? Take the sardine industry and the packing of fruit.

Mr. FOLLANSBEE. Business is generally dull in the iron and steel line. You must understand that it necessarily not only is dull in the tin-plate line, but if you can not sell plates and bars and other commodities the consumption of the steel is very greatly reduced, and the large people who have their plate business and their bar business taken away from them, even if this growing tin-plate business is maintained, try to get additional tin-plate tonnage to substitute for the bar and plate and sheet tonnage they have lost. Do I make myself clear?

Senator JOHNSON. Not entirely so to me. If the tin-plate industry, you say, is maintained, that is what you are interested in and are talking about.

Mr. FOLLANSBEE. No; it has not suffered proportionately as largely as the others in tonnage. But there are tin-plate manufacturers who also manufacture all these other goods. Take Jones & Loughlin. Mr. King was on the stand here a few days ago. If he could not sell his steel in beams and plates and bars, he would be anxious to sell it in tin plates; and, as I said this morning, there is some 30 to 40 per cent production capacity in this country in excess of the home consumption. Everybody is after every order there is to be had, and it has resulted in the very keenest competition in this country, and has driven the price down to cost, or below cost, of manufacture.

This Government report here shows annually average import prices of leading articles of merchandise imported into the United States

from 1887 to 1911, and under tin plates, turned plates, and tagger's tin, per pound, it shows this high average for 1911. But it excludes the cheap stuff, and includes only a limited portion of expensive stuff, of 3.2. In 1911 it is 2.8 and in 1907, 2.7. Back in 1898 it was as low as 2.2, and if we ever get back to that figure, you see the 20 per cent ad valorem would be only 44 cents.

I have very carefully gone over the average figures as I have been able to glean them from British trade reports, for the 12 years 1900 to 1911, and have made that average 11 shillings 7 pence ha'penny, which will make the rate 2.7 for the bulk of the material that would be imported.

I wish to refer now to different data as presented to the House and reported in the record with respect to this million dollars of revenue which I have shown you is going to be taken out of tin plate. On page 1447 in the summary they say:

The revenue derived from Schedule C in 1911 amounted to \$18,819,349. These figures, however, are gross, including, as they do, the total drawbacks on metals and manufactures thereof, which amounted last year to \$2,531,496, making the net amount of revenue from this schedule only \$16,287,853. It is believed that the adjustment of rates made by H. R. 18642 will materially correct the conditions which are responsible for this great loss in the revenue from drawbacks, and that the estimate of \$17,477,640 for the first fiscal year under H. R. 18642 will more nearly represent the net than the gross amount of duties.

Subtracting his figures shows an estimated increase of revenue of \$1,189,787. I think, gentlemen, you will concede, from my repeated quotations, that he expects to get one million of it out of the tin-plate item alone.

I want to emphasize that, and I will quote you again, on page 1428, in a different paragraph from what I referred to before:

There is not any importation of tin plate to-day for domestic consumption, as the gentleman from Connecticut very well knows. If there is, or was, a prohibitory tariff in the world, the tariff on tin plate is one. We get through the customhouse a beautiful looking book revenue of about \$1,800,000 or \$1,900,000, and we give back every dollar of it, or at least 99 per cent of it, in drawbacks. The only people who bring it in are the oil people and the canning people, who want to send it out as containers. We have written this rate at such a figure that the foreign article will come into this country for domestic consumption, and we will have a million dollars of revenue out of the tin-plate paragraph in this bill if it becomes a law which will be actual revenue and not book revenue.

Their whole increase is only one million one hundred and odd thousand dollars, and they get a million of it out of tin plate, according to his own statement, repeated and reiterated over and over and over again.

Gentlemen, you have had the pig-iron men and the plate men and the other men before you, and I have no conflict with them; I am in absolute sympathy with them. Practically everything they have said, I am sure, is exactly correct, as they see it in their business. But I want to point out to you the inaccuracies, the incongruities in this whole tariff bill. I want the whole bill defeated, not simply the tin-plate item, as shown by their own statistics. I let us start right in with the crude material. On page 1450, two-thirds of the way down the page, we have the item "pig iron," and we have heard the debate about the pig-iron duty. Mr. Underwood, whose name is carried on this bill, over and over and over again on the floor of the House says he is a pig-iron manufacturer, and says he can make it as cheaply as it can be made any place in the world, and that he does not want any duty on it, practically. Let us see how much

revenue he wants on it. These are figures taken from the Government records, and they show us, in the year 1910, \$1,520,984 worth of pig iron imported; in the year 1911, \$957,074 worth of pig iron was imported, and they estimate, under this new bill, that \$1,500,000 worth will be imported, or, mind you, less than the year 1910, although greater than the year 1911; and the revenue the Government secured in 1910 was \$256,619, and the revenue secured in 1911 was \$149,864; and on Mr. Underwood's pig iron, under this Underwood bill, they expect to collect only \$120,000 in revenue. Gentlemen, I can go over a multitude of these tables that are given us right by this Democratic Ways and Means Committee, and show you in enormous tonnages that the duties are not increased, but are decreased.

Scrap is the same way. Scrap is substituted for pig iron, and Mr. Underwood does not expect much more scrap to come in, and he does not expect to have the Government secure revenue out of it under this bill. The same thing applies very largely to beams, to railway bars, to galvanized sheets, to steel ingots, and we come down here to the interesting paragraph on page 1457 of cast-iron pipe. Under the Payne tariff in 1910 there were 205,714 pounds imported, a beggarly little 100 tons; in 1911 there were 213,121 pounds, or practically the same little 100 tons. And the respective revenues that were secured in 1910 and 1911 were \$568 and \$533; and under this tariff-for-revenue measure they expect will be imported \$5,000 worth, giving the Government a decreased duty of only \$500; and the cast-iron pipe manufacturers are Mr. Underwood's largest customers, and he does not expect them to lose any of their trade. I am too tired, and I have no doubt you gentlemen are too weary, to have me go from illustration to illustration of exactly the same kind. I am going to refer to only two more.

The CHAIRMAN. If there is anything you desire to file in writing, in addition to your remarks, the committee will be glad to receive it.

Mr. FOLLANSBEE. I think I have said almost enough. But let us look at one other item here. On page 1456, paragraph 18, automobiles, 40 per cent ad valorem. I think the automobile industry of America is one of the greatest industries there is. It has grown phenomenally. In 1910 there were \$1,263,283 in duties collected, and the duties collected in 1911 were \$748,253. They propose to collect on this luxury a reduced duty of only \$680,000. Gentlemen, the farmers and the workmen are not riding in imported automobiles. The fellow who buys an automobile abroad is buying a seven, eight, or ten thousand dollar machine, and this bill proposes to show the farmers of this country a reduction in duty on the multimillionaires' purchases abroad. To my mind it does not quite gee. I think they are the fellows who should have the duty put up on them. The fellow who can buy a seven or ten thousand dollar automobile can pay a little more getting it into this country. There are a good many items just exactly like that.

To confirm my repeated statement that they expect to get the tin-plate revenue from importations to \$1,000,000, they outline, on page 1454, an increase of importations up to \$5,000,000, and this means not counting their drawback business that is reexported, and they get their 20 per cent on it—\$1,000,000. It is confirmed over and over again that the \$1,000,000 is to come out of the tin-plate item.

Senator HEYBURN. Probably a condition would be brought about by which we could use tin plates and tin cups to eat and drink out of. [Laughter.] That might bring up the importations.

Mr. FOLLANSBEE. These are Democratic statistics. Starting on page 1473, and going over to pages 1474 and 1475, are given the equivalent ad valorem duties on tin plate in other countries. In Germany it is 17.1 per cent; in France it is 32.4 per cent; in Italy it is 36.4; in Austria-Hungary, where they make tin plates, it is 51.4 per cent; in Canada it is given as 1.8 per cent, which is an error, however, as the Canadian duty is free. In Belgium it is free; in the Netherlands it is free; in Russia, on the frontier where the imports would be brought in, the duty is 71.3 and on the other frontier 37.7. In Spain it is 33.3 per cent.

Gentlemen, I am almost through, and I have no doubt you are very glad of it. There is a comedy in this bill.

Senator SMOOT. Only one? [Laughter.]

Mr. FOLLANSBEE. This is the worst. Mr. Palmer says, on page 1437:

Why write the rate at a figure high enough to permit the manufacturer to have his large, valuable, and exceedingly profitable Atlantic coast market undisturbed by foreign competition?

He concedes that is all that is left us [continuing]:

It must be remembered that there are a number of comparatively small independent concerns engaged in this industry who have built up their business under hothouse conditions more carefully devised for their benefit than in the case of most other industries. Without desiring to protect the profits of these manufacturers to any extent, we must have regard for the effect upon a business created under Government favoritism—in which the manufacturer's end of the partnership was entered into in absolute good faith—and we must accommodate the proposed reductions somewhat to the ability of the industry to bear them without actual distress or excuse for feigned distress. Besides, the extension of the area of competition is bound to have some effect in lessening prices in the interest of the consumer, even in the noncompeting territory saved to the American manufacturer, by reason of advantages in freight rates. The general tendency of this reduction of duty, as in the case of nearly all the heavier forms of iron and steel production, will be to decrease prices everywhere, in some places more than in others, but nowhere enough to cripple the industry, because natural conditions as to location of factory and market and increased demand from certain advances in uses of the product will always operate to the benefit of the home producer.

In other words, he takes 20 per cent of our business and the little weak manufacturer is to be given the rest. I do not know, anyway, how, when a weak manufacturer and a strong manufacturer are both after that order, the weak manufacturer is going to get it. And there is the comedy in the whole thing.

Senator HEYBURN. He may just go into bankruptcy.

Mr. FOLLANSBEE. He might have to run to keep his banker from his door. On page 1448 they give us a table showing the population, the wealth, and the per capita wealth of the citizens of this United States from the year 1890 to 1911. The per capita wealth is given for 1890 as \$1,038, for 1909 as \$1,495, or practically an increase of per capita wealth in the 21 years that the tin-plate industry has existed in this country of 50 per cent. Gentlemen, if we have been prosperous since the McKinley bill passed, tin plate has been our mascot. I beseech you do not make it the "goat." I thank you.

Senator JOHNSON. Just one question. I know you are tired and I do not want to detain you; but I understand from the very exhaustive and detailed report you have made here and the study

you have given the subject, you could now maintain the wages which you pay and reduce the tariff from 1.2 cents per pound to 1 cent per pound?

Mr. FOLLANSBEE. You are correct.

Senator JOHNSON. That is your position now?

Mr. FOLLANSBEE. Yes, sir.

Senator JOHNSON. And maintain your same scale of wages?

Mr. FOLLANSBEE. Yes, sir.

Senator JOHNSON. There was a reduction from the Dingley rates of 1.5 cents per pound to 1.2 per pound under the Payne bill?

Mr. FOLLANSBEE. Yes, sir.

Senator JOHNSON. And you appeared before the Ways and Means Committee at that time, did you not?

Mr. FOLLANSBEE. Three years ago; yes, sir.

Senator JOHNSON. And were you asked what the effect would be if the duty were reduced to 1 cent per pound?

Mr. FOLLANSBEE. I think I was.

Senator JOHNSON. And did you not say it would result in cutting of wages and all these appalling things you have now detailed to us?

Mr. FOLLANSBEE. I did not. Mr. Clark asked me—

Senator JOHNSON. Did you not say it would result in cutting down wages?

Mr. FOLLANSBEE. Not if it was reduced from 1.5 to 1.2.

Senator JOHNSON. No; but to 1 cent a pound, I am asking you?

Mr. FOLLANSBEE. I beg your pardon; I did, yes. I misunderstood you.

Senator JOHNSON. Now, you say business is in a deplorable condition?

Mr. FOLLANSBEE. Yes; the general steel business.

Senator JOHNSON. But I understood you that applied to your business also?

Mr. FOLLANSBEE. Not so much as regards the demand and the consumption. The tin-plate mills are running quite full. They are running full, however, at very low prices—cost or under cost—and the tin-plate workman is still getting a maximum wage.

Senator SMOOT. Have you learned, since 1909, to produce tin plate any more cheaply than you did at that time?

Mr. FOLLANSBEE. Yes; because our raw material, the steel bar, has gone down, as I mentioned this morning, about \$6 per ton.

Senator SMOOT. And that would be one of the reasons why you said you could get along with 1 cent to-day, instead 1.2?

Mr. FOLLANSBEE. That is the whole reason. Let me amplify that, as I mentioned it this morning, and we have it in our brief. That is the only reason, and the reason we can not go below the 1 cent is the fear that our raw material may go up coincident with the Welsh going down. They are inordinately high at the present time and we are inordinately low.

Senator SMOOT. And in 1909 that was not the case?

Mr. FOLLANSBEE. Just the opposite. We were \$6 a ton higher than they.

Senator SMOOT. If Mr. Clark had asked you this year if you could have got along with 1 cent, you would have told him you could have, under the conditions?

Mr. FOLLANSBEE. Absolutely.

Senator JOHNSON. But the trade conditions were better in 1909 than they are now, as I understand you?

Mr. FOLLANSBEE. This cost of raw material accounts for it absolutely.

Senator JOHNSON. I am asking you about the general demand in this country and the trade conditions here, in your industry?

Mr. FOLLANSBEE. The increase in the tin-plate business has been so comparatively regular that we have not suffered in tonnage; but I want to make very plain the resultant competition from the dullness of the other lines and the steel going into the tin plate.

Senator JOHNSON. What about your prices in 1909 as compared with those now?

Mr. FOLLANSBEE. They were very much higher.

Senator JOHNSON. Very much higher in 1909?

Mr. FOLLANSBEE. Yes, sir.

Senator JOHNSON. Then you could have stood a reduction at that time?

Mr. FOLLANSBEE. No; because our costs were also very much higher.

Senator JOHNSON. Yes; but in proportion to the price?

Mr. FOLLANSBEE. Yes; almost entirely so; \$6 a ton, you know, is a very big change in a steel article.

Senator HEYBURN. You would not favor a policy of keeping a metal down forever because it had gone down on account of circumstances peculiar to the time or the conditions; you would not take the tariff off so it never could rise again?

Mr. FOLLANSBEE. I would be ashamed to look any of my brother manufacturers or any of my stockholders in the face when I got home if I did make any such statement.

Senator HEYBURN. Is not that the line of reasoning that is suggested, because your raw material has gone down \$6 a ton, we must put a peg on it and keep it there? It looks that way to me. We want to give a chance for it to rise again.

[Brief to the Committee on Ways and Means, by Wm. U. Follansbee, E. T. Weir, E. R. Crawford, Chas. E. Pope, committee independent tin plate manufacturers. Filed January 15, 1912.]

HON. OSCAR W. UNDERWOOD,
Chairman Committee on Ways and Means, Washington, D. C.

DEAR SIR: Act of August 5, 1909, paragraph 130, "tin plates, terne plates, and tagger's tin." Reference is respectfully requested to the verbal presentation, November 25, 1908, by William U. Follansbee, and to the brief by the independent tin plate manufacturers to the Committee on Ways and Means, filed February 15, 1909.

This present brief is based upon the same features as covered by the exhibits above referred to, and is presented to outline conditions in the industry up to date, including such changes as have occurred during the last three years.

	Cents per pound.
Present duty.....	1.2
Recommended reduction, 16½ per cent.....	.2
Suggested new duty.....	1.0

The consumption of tin plate, etc., continues to show a large growth, to meet which many additional mills have been erected by independent manufacturers. These now total as follows:

Number companies.....	15
Aggregate capital.....	\$12,000,000
Total mills.....	157
Capacity, tons.....	500,000
Capacity, boxes.....	10,000,000
Total employees.....	11,000
Annual pay rolls.....	\$7,500,000

This brief is presented upon behalf of the above interests.

The entire tin-plate industry of this country now employs direct about 25,000 hands, and produces about 800,000 tons, or 16,000,000 boxes, valued at \$52,000,000, requiring—

	Tons.	Total labor, including transportation.
Ore.....	1,900,000	
Coke.....	1,100,000	
Limestone.....	625,000	\$10,500,000
Pig iron.....	1,000,000	
Steel.....	225,000	
Tin plate.....	800,000	17,250,000
Total wages per annum paid American workmen dependent upon the tin-plate industry, over 60 per cent of which, as shown, is paid direct in making the tin plate alone.....		27,750,000

In the last three years the production has increased 33½ per cent, and at the same time the cost to the consumer has been materially reduced.

The industry is exceptionally distributed, plants being located as follows: Maryland, 1; Pennsylvania, 18; Ohio, 5; West Virginia, 7; Indiana, 3; Illinois, 1.

The suggested new duty of 1 cent per pound is absolutely necessary to maintain the tin-plate industry. This is required because of—

- I. Lower foreign labor.
- II. Lower cost foreign raw materials.
- III. Smaller capital foreign investment.
- IV. Freight costs from mills to consuming points.

Of the above items there has been practically no change since 1909 in I and III, and but slight change in IV. All are, however, given in the following detail to make this brief properly inclusive.

I. LOWER FOREIGN LABOR.

STANDARDS OF COMPARISON.

Skilled labor in United States: Wage scales of Amalgamated Association of Iron, Steel, and Tin Workers, and Tin-Plate Workers' International Protective Association of America.

Skilled labor in Wales: Wage scales of Tin-Plate Section, Dock, Wharf, Riverside, and General Workers' Union of Great Britain and Ireland.

General labor in United States: As taken from the pay rolls.

General labor in Wales: Estimated at one-half the rates paid in United States. (Common labor in Wales is unquestionably less than the rate shown by this estimate.)

	Per gross ton.	
	United States.	Wales.
Hot rolling.....	\$9.76	\$4.555
Open ing.....	.425	.305
Pickling.....	.485	.275
Annealing.....	.87	.605
Cold rolling.....	.625	.20
General mill.....	3.325	1.66
White pickling.....	.375	.275
Tinning.....	1.325	1.245
Washing.....	1.555	1.245
Rising.....	.88	.405
Assorting.....	.52	.415
Boxing.....	.465	.30
General tin house.....	2.44	1.22
	22.95	12.73

¹ Equals \$10.22 per 2,240 pounds; equals 45.6 cents per 100 pounds.

II. LOWER COST FOREIGN RAW MATERIAL.

Particular attention is requested to showing in brief of February 15, 1909, as follows: Steel bars from which tin plate is rolled, present market prices, as shown by trade quotations:

Cost at mills in United States.....	\$27. 50
Cost at mills in Wales.....	21. 50

Difference per 2,000 pounds finished tin plate..... ¹ 6. 00

The above average continued throughout 1909 and during the first half of 1910; thereafter and until the present time there has been a very decided change occasioned by the coincident depression and consequent shrinkage of values in iron and steel in this country, while exceptionally good conditions with much higher prices are ruling abroad, so at the present time the cost of raw material differs but little in the United States and Wales. As, however, there has been this complete reversal within so short a period as about 18 months, and there is a decided hope for improvement in this country, while there are already indications the "boom" abroad has about run its course, and as it can only be expected the cost of raw material in Wales as a rule will be much less than in this country, it would appear that at least one-half the former spread of \$6 per ton should be recognized and a reasonable average differential be allowed of \$3 per ton—15 cents per 100 pounds.

(It is only because of the reversal of conditions as above recited it is at all possible at this time to suggest the material reduction in duty proposed.)

III. SMALLER CAPITAL FOREIGN INVESTMENT.

The cost of plant in the United States is just about 50 per cent greater. Cost of labor, as shown, nearly double. Raw material charges higher. Interest charges about double.

1. To produce 25,000 tons per annum requires capital investment—

	United States.	Wales.
In plant.....	\$500,000	\$250,000
In labor, raw and finished material, accounts receivable, etc.....	500,000	250,000
	1,000,000	500,000
Greater in United States.....	¹ 416,667	

¹ At 6 per cent equals \$25,000.

Equivalent to per ton output, \$1 equals 5 cents per 100 pounds.

2. Annual charges repairs, upkeep of plant, and depreciation:

United States.....	\$50,000
Wales.....	25,000

Greater in United States, \$25,000 equals per ton output \$1; equals 5 cents per 100 pounds; total, 10 cents per 100 pounds.

IV. FREIGHT COSTS FROM MILLS TO CONSUMING POINTS.

* Fully two-thirds of the consumption of tin plate in the United States is at or near the seaboard, New York, Philadelphia, Boston, Baltimore, New Orleans, San Francisco, etc.

Freight from mills in Pittsburgh district at shipping weight of 106 pounds, including package as well as contents, as required by the railroads.

To New York at freight rate of 16 cents, equals 17 cents per 100 pounds.

To New Orleans at freight rate of 32 cents, equals 34 cents per 100 pounds.

To San Francisco at freight rate of 66.2 cents, equals 70 cents per 100 pounds.

Average, 40 cents per 100 pounds.

Freight from mills in Wales located at seaports varying from about 7 shillings 6 pence to 9 shillings 6 pence per 2,240 pounds of net contents, weight of package not included,

¹ Equals 30 cents per 100 pounds.

as permitted by steamship lines, to New York, equals 8 to 10 cents per 100 pounds. The through rates from Welsh ports to inland American points are proportionately much less.

A large portion of the tin-plate consumption is seasonable and in regular sizes, for which the requirements can be anticipated by many months, while the size and character of boxes of tin plate make it particularly desirable for ballast, thus permitting as low water-freight cost from Wales to New Orleans and San Francisco as to New York; accordingly the freight item from mills to consuming point is very important and may show as high as 60 cents per 100 pounds differential in favor of Wales, and which may be further increased by the operation of the Panama Canal. With any spirit of fairness to American mills, it would appear this factor should not be considered at any less than the average from American mills to seaboard points, as shown above, of 40 cents per 100 pounds.

RECAPITULATION.

I. Lower foreign labor.....	\$0.456
II. Lower cost foreign raw materials.....	.15
III. Smaller capital foreign investment.....	.10
IV. Freight costs from mills to consuming points, average.....	.40
	\$1.106

Equivalent to \$1.11 cents per pound.

The suggested new duty of 1 cent per pound while preserving to the American industry a reasonable proportion of this growing trade is by no means prohibitive; should show regularly a fair volume of revenue-producing importations; and insure a low price to the consumer.

The establishment of the American tin-plate industry under a reasonable tariff most emphatically has not increased the cost to the domestic consumer, but on the contrary has unquestionably reduced the price, as shown below:

	Welsh tin plate, duty added.		American tin plate.	
	1872-1878	1879-1891	1904-1908	1909-1911
Duty.....	15 per cent ad valorem.	1 cent per pound.	1.5 cents per pound.	1.2 cents per pound.
Average price.....	\$7.39	\$4.81	\$3.48	\$3.38

¹ During the period 1909-11 the price of block tin, all of which is imported free of duty, largely used in the manufacture of tin plate, has averaged 2 cents per pound higher than for the period 1904-1908. Were it not for this factor the average price for 1909-1911 would have been reduced to \$3.34.

SUMMARY OF IMPORT-DUTY RATES OF TIN PLATE.

1864-25 per cent ad valorem. No American manufacture.

1872-15 per cent ad valorem. No American manufacture.

1875-1.1 cents per pound. American manufacture attempted in several plants resulting in large losses and financial failures; manufacture abandoned.

1883-1 cent per pound. No American manufacture.

1890 (effective July 1, 1891)-2.2 cents per pound. Many mills built and a rapidly growing industry developed.

1894-1.2 cents per pound. Growth halted, mills shut down, strikes, labor reductions, etc.

1897-1.5 cents per pound. Industry revived, many new mills built. Employment given to thousands additional workmen. Prices greatly reduced.

1909-1.2 cents per pound. Phenomenal growth in the industry. Capacity greatly increased. Prices further reduced and consumption increased 35½ per cent and in 1911 amounted to 800,000 tons as compared with 229,000 tons in 1890 prior to beginning of manufacture in United States.

DRAWBACK REGULATIONS.

Permit refund of 99 per cent of duty on importations for manufacture in the United States when such manufacture shall be exported; under which the importations of tin plate for the years 1909, 1910, and 1911 (last five months 1911 estimated) have averaged 51,078 tons per annum but have yielded no revenue, as it has doubtless cost more than the 1 per cent of duty retained to collect same.

It would appear to reduce the drawback from 99 per cent to not more than 50 per cent should not stop these importations and would at the same time produce a large

818 DUTIES ON METALS AND MANUFACTURES OF METALS.

item of revenue. This would not work injury to home industries, as the tin plate so imported is used almost entirely for containers, which represent but a small fractional value of the contents.

The drawback paid on tin plate is more than on any other imported commodity and for the years 1899 to 1910, inclusive, has averaged 35 per cent of the total drawback paid on all other commodities.

PACIFIC COAST IMPORTATIONS.

[From Department of Commerce and Labor.]

Year ending June 30, 1909 (duty 1.5 cents per pound), 386,030 pounds.

Year ending June 30, 1911 (duty 1.2 cents per pound), 6,691,616 pounds.

As the reduction of duty from 1.5 to 1.2 cents per pound has multiplied these importations nearly 18 times, it should be expected the further reduction of duty to the suggested 1 cent per pound will still further greatly increase these importations and provide additional revenue.

LABOR COSTS.

From the beginning of the American manufacture of tin plate strenuous efforts have been made to reduce the labor cost by the substitution of machinery for men and hundreds of thousands of dollars have been spent in this endeavor, which, however, has been successful only to the extent of heavier mills with somewhat increased output. The physical peculiarity of the manufacture of tin plate compels employment of labor to a very exceptional degree and necessitates a much larger proportion of labor cost than for any other manufacture of iron or steel.

CONSUMPTION.

The marvelous growth in consumption of tin plate from about 300,000 tons in 1890 to 800,000 tons in 1911 has unquestionably been largely stimulated by the reduced prices following the competition of American mills. Were this country dependent upon Wales it is doubtful if this greatly increased tonnage could have been obtained, and were that possible it certainly would only have been at greatly advanced prices.

GENERAL CONDITIONS.

While the industry in general has been fairly prosperous, the productive capacity has increased even more rapidly than consumption, and competition has been exceedingly keen, resulting in frequent shut downs of some plants and the failure of several.

CONCLUSION.

The American tin-plate industry is the youngest in the iron and steel line. It has only been established by much travail. It has been exceptionally adversely treated by former tariffs. It is the item by far most greatly influenced by labor and the peculiarity of greatest consumption at seaboard points. Although begun only 20 years ago under the McKinley tariff of 2.2 cents per pound, the suggested new duty of 1 cent shows a reduction of 55 per cent. Any lower duty would entail great hardships upon American labor and capital and tend to cripple the industry.

Respectfully submitted.

Wm. U. Follansbee, of Follansbee Bros. Co., mills at Follansbee, W. Va.;
E. T. Weir, of Phillips Sheet & Tinsplate Co., mills at Clarksburg,
W. Va., Weirton, W. Va.; E. R. Crawford, of McKeesport Tin Plate
Co., mills at McKeesport, Pa.; Chas. E. Pope, of Pope Tin Plate Co.,
mills at Steubenville, Ohio, committee.

STATEMENT OF MR. R. D. CAMPBELL, OF PITTSBURGH, PA., REPRESENTING THE ALLEGHENY STEEL CO.

The CHAIRMAN. Mr. Campbell, you represent the Allegheny Steel Co.?

Mr. CAMPBELL. I represent the Allegheny Steel Co., of which I am secretary and treasurer.

The CHAIRMAN. Go on with your statement.

Mr. CAMPBELL. I also have the honor to appear for the independent makers of sheet steel, an industry with an estimated direct investment of \$35,000,000.

The plants represented are widely scattered from the Atlantic coast to the Mississippi River, and employ approximately 27,000 persons, generally skilled and intelligent workmen, and among the best paid of any class in the country.

Also depending on this industry there is an additional investment of many millions of dollars and thousands of workmen employed mining ore, coal, and limestone, and in manufacturing steel, which is subsequently reworked during various processes, and finished in the form of steel sheets.

In order to grasp the magnitude of this industry I submit a few statistics concerning the manufacture of sheet steel:

1. Number of separate companies engaged.....	33
2. Number of direct employees.....	27,000
3. Annual pay roll of sheet mills, estimated.....	\$22,000,000
4. Total labor on ore, pig iron, and steel, before reaching sheet mills, estimated.....	\$11,000,000
5. Total capital invested in sheet mills, estimated.....	\$35,000,000
6. Net tons of coal consumed annually, estimated.....	7,000,000
7. Iron ore consumed per annum, gross tons, etc.....	3,600,000
8. Total water and rail transportation charges on entire tonnage of steel sheets and their antecedent raw material, estimated.....	\$17,000,000

Sheet steel is an article which is peculiar in the fact that it is of necessity hand made, and entirely distinct and separate from the other steel articles well known in commerce. Its cost, therefore, is largely made up of wages for labor. For instance, the sheet-mill wages paid for a gross ton of 24-gauge (which is a representative thickness) amount to about \$11, and to-day's cost for this thickness is about \$39 per gross ton in the Pittsburgh district. The selling price for the same material at European seaports is about \$37.40 per gross ton.

It is important to note that the domestic figures represent cost, and that these costs are relatively as low as ever obtained in this market. The European prices used, however, are recent market selling prices, at a time when the mills are full of orders, and for this reason presumably operating at a profit.

The ocean carrying rate to Atlantic coast and Gulf coast points are \$2.25 to \$2.47 per gross ton, and from Liverpool, England, to Pacific coast points, all water, \$6.72 per ton.

The House bill under discussion, paragraph 4, calls for an import tax on sheet steel of 15 per cent ad valorem, amounting, on the basis of the European selling prices above named, to \$5.62 per gross ton, or \$45.27 delivered at Atlantic coast points.

Based on \$39 home cost at Pittsburgh, with freight added, the following delivered cost would obtain:

	Freight.	United States cost, delivered.	European selling price, delivered, including 15 per cent duty.
	<i>Cents.</i>		
New York.....	16	\$42.58	\$46.25
Boston.....	18	43.03	45.35
Savannah.....	22	43.93	45.25
New Orleans.....	30	45.72	45.48
San Francisco.....	95	58.00	49.73
Galveston.....	74	53.80	45.48

You understand, gentlemen, the United States figures are all cost prices, whereas the European prices used for comparison are selling prices.

The shipments of sheet steel to Atlantic and Gulf coast and adjacent points for the year 1911 were estimated at 284,000 gross tons, and shipments to the Pacific coast estimated at 137,000 gross tons. This tonnage for Atlantic coast would doubtless be increased as much as 25 per cent if points up to 200 miles inland were considered. It is obvious, therefore, that we are threatened with the loss of a large part of this sheet steel business to European mills.

European sheet-mill wages are less than 50 per cent of those in this country, and any reduction in the United States is sure to be attended with much distress and strife.

The following table indicates the import duties under the several recent acts and amendments for 24-gauge sheet steel. The figures are in cents per pound:

	Cents.
Black steel sheets:	
Dingley bill, 1897.....	0.8
Payne-Aldrich bill, 1909.....	.6
Proposed in House bill 18642, 1912.....	.233
Black, pickled, or cold-rolled steel sheets:	
Dingley, 1897.....	1.0
Payne-Aldrich, 1909.....	.8
Proposed House bill 18642, 1912.....	.28
Galvanized steel sheets:	
Dingley, 1897.....	1.0
Payne-Aldrich, 1909.....	.8
Proposed House bill 18642, 1912.....	.5

A reduction is therefore contemplated of from 37 per cent in galvanized sheets to 64 per cent in black sheets.

We are confident that our equipment, facilities, and methods are equal to those of European manufacturers, and that our only handicap is the extremely low rate of wages paid by European mills. In order to continue operating at a profit, we either must have more protection than is provided by the Underwood bill or else we must make a drastic reduction in the wages of our employees.

Furthermore, I wish to direct attention to the seeming inconsistency of this proposed bill in so far as it relates to sheet steel. This bill places sheet steel, which is a handmade article, with labor cost of about \$11 per ton, on a 15 per cent ad valorem basis, and also places at 15 per cent ad valorem steel beams, channels, angles, etc., which are produced mechanically at a very much less labor cost. In this connection it should be remembered that in recent years great improvements have been made in processes for rolling many of the heavier forms of steel by which labor cost has been greatly reduced, but with sheet steel little improvement has taken place, and the process of rolling is just the same as it was 20 years ago. It does not follow because of this fact that 15 per cent ad valorem is too high for the heavier forms of steel, but it certainly is too low for the sheet steel, in the manufacture of which so much labor is involved.

Evidently the question of labor and wages has been lost sight of entirely in the preparation of this bill. We therefore earnestly urge that careful consideration be given to a branch of the steel trade involving in its various aspects so large an investment and employment of labor.

We would also respectfully urge before final action is taken that the investigation and recommendations of the Tariff Board be considered, as undoubtedly the investigation of this board will be a distinct and valuable contribution in comparing manufacturing cost and conditions of the United States with other countries.

We also wish respectfully to suggest that specific duties are much preferable to ad valorem, as the latter basis opens the way for fraud in undervaluation and at the same time will provide a high rate of duty when prices are high and the reverse when prices are low. This is certainly just as it should not be.

Mr. Chairman, I also have some figures which explain a little more in detail what I have been trying to simply state.

The CHAIRMAN. You can have them printed, if you will leave them with the stenographer.

Senator SMOOT. Are you satisfied with the rates in the present tariff?

Mr. CAMPBELL. Yes, sir.

Mr. Campbell submitted the following brief:

BRIEF SUBMITTED BY MANUFACTURERS OF SHEET STEEL.

[In re consideration of metal schedule of Payne-Aldrich bill by Ways and Means Committee. Pittsburgh, Pa., January 15, 1912.]

In behalf of enormous capital invested, as well as of an army of 27,000 employees engaged in the sheet-steel industry, drawing annually \$22,000,000 in wages, and who are to-day the best paid laborers in any branch of the great steel business, this brief is respectfully submitted.

In behalf, further, of a large amount of capital invested, and also of that vast army of workmen who lay the foundation for the sheet-steel industry by their labor in taking the ore from the mines, putting it through blast furnaces, and making sheet bars from which sheet steel is made, and who for this labor receive annually in wages about \$11,000,000, this brief is largely filed.

Together, those two great bodies of workmen, dependent for their employment on the prosperity of the sheet-steel business, draw annually in wages in these United States \$33,000,000.

Any consideration of the tariff must ultimately look to these wage earners, for, more than in any other branch of the steel business, these workmen are skilled, as are their competitors across the water in Great Britain, of whom a large class has grown up; and there, as here, they are paid high wages as compared to other forms of labor.

In Great Britain and Europe the sheet-steel industry has developed a class of workmen which it is important to note, as their labor comes in competition with the American labor. Many women and children in these countries have learned this business, and their families have followed it for generations, and although their wages are on the average about 50 per cent less than the American wages, still they are better paid there than other forms of labor. This high skill and low wage must be borne in mind when the selling prices of the European and American product at seaboard points are compared, for, notwithstanding the long ocean carriage, with very low transportation charges, the low price of labor in Europe leaves the American competitor, with his high wages and relatively high transportation charges, little ground to stand on unless he is protected.

From Maine to Houston, Tex., in 1910, there was a consumption of 114,573 net tons of galvanized sheets, estimated (not including a large production of black sheet steel now classified with heavy plates), meaning an expenditure of \$1,287,800 in direct wages to sheet-steel employees for their production. This territory is all accessible to the English market by the low water rate of 10 cents per 100 pounds. The freight rate from Pittsburgh to New York is 16 cents per 100 pounds. Note the effect of this low water transportation rate, which is made to fluctuate to meet competition. English galvanized steel sheets to-day are selling at \$2.42 per 100 pounds f. o. b. port, No. 24 gauge; American at \$2.45, putting the English product into New York at \$2.52 less duty, and the American at \$2.61. From the English price is deducted 1½ per cent for cash by 10th of following month; from the American price 2 per cent is deducted for cash in 10 days. In this connection it should be noted that these

prices prevail to-day in an English market that is at a high point and very active, and in an American market that is very much depressed.

This condition holds true all along the Atlantic coast, as a glance at the list of freight rates from the Pittsburgh district attached to this brief will show.

The Pacific coast discloses the same situation. The Pacific coast consumed in 1910 about 36,844 net tons of galvanized sheets, estimated, meaning an expenditure of \$414,126 in wages paid to sheet-steel employees for their production. These points are reached by an all-water rate from Liverpool of from 25 cents to 30 cents per 100 pounds, or via the Tehuantepec Railway Co. of 35 cents per 100 pounds, while from Pittsburgh to that district the rate is 95 cents per 100 pounds, making competition for both the Pacific and Atlantic coast markets an impossible undertaking for the American manufacturers without substantial protection.

As the labor going into the making of steel sheets constitutes about 80 per cent of their cost, it is well to compare the English labor wage with the American in specific instances to bring out the great difference that exists in favor of the latter.

The American roller is paid \$2.31, No. 24 gauge, per ton, the English \$1.14; the American heater is paid \$1.76, the English \$0.84; the American doubler and matcher are paid \$1.10, the English \$0.92; the American shearman \$1.01, the English \$0.40; the American catcher \$0.80, the English \$0.50. These are all per gross ton.

The only way in which these high American wages can be paid to-day, with the present selling prices being maintained, is by operating to full capacity and the institution of all possible economies; a curtailment of market will inevitably result in curtailment of wages even if present selling prices were not reduced.

It should be borne in mind that the sheet-steel industry has only reached its proportions to-day under the protective duty of six-tenths cent per pound black sheet and eight-tenths cent per pound galvanized sheets. The development of this industry, it is apparent, would have been impossible under other conditions.

The following table will show the extent to which this business has developed in the United States:

Number of separate companies engaged in the sheet-steel business in the United States.....	33
Number of trains of rolls operated.....	468
Number of galvanizing pots.....	129
Number of employees.....	27,000
Annual pay roll.....	\$22,000,000
Annual product of black sheet in 1910 (gross tons).....	1,435,620
Tonnage of galvanized sheets included in above black-sheet tonnage (gross tons).....	875,000
Total capital invested in manufacturing sheet steel, not including furnaces and mills producing sheet bars (estimated).....	\$35,000,000
Raw material required to produce the above-mentioned tonnage of sheets, viz., \$1,435,620:	
Sheet bars, gross tons.....	1,725,000
Pig iron, gross tons.....	1,800,000
Scrap, gross tons.....	500,000
Coal required for above tonnage of pig iron, net tons.....	2,200,000
Coal required for coking, net tons.....	3,600,000
Limestone required for pig iron, gross tons.....	900,000
Ore required.....	3,600,000
Coal required throughout different processes of manufacture for steam and heating purposes, net tons.....	3,700,000
Spelter for galvanizing sheets, net tons.....	110,000
Estimated value of spelter.....	\$14,000,000
Total estimated labor cost from iron ore in ground to and including sheet bars.....	\$11,000,000
Labor cost in sheet mills.....	22,000,000
	33,000,000
Estimated transportation charges on all above tonnage.....	17,500,000

The ramifications of this great industry thus extend back until we have the grand total of \$33,000,000 of wages paid out in the course of a year to those whose employment is dependent on its prosperity, and this exclusive of the immense benefit derived by our carriers from the revenues of \$17,500,000 which the industry brings to them.

By reference to the cost sheet hereto attached it will be seen that the cost of sheet bars to-day is \$22.50 per gross ton, and that the total labor cost in turning bars into black sheets is \$11.24 per gross ton for No. 24 gauge. Other cost of manufacture, such

as repairs, maintenance, sales, administration, etc., as shown in the cost sheet, makes the total cost of black sheets, including the sheet bars, \$42.04 per gross ton, or \$1.87 per 100 pounds No. 24 gauge.

The selling price of this commodity in New York to-day is \$1.91 per 100 pounds, from which must be deducted 2 per cent discount for payment in 10 days, which is generally taken advantage of. To the cost must be added the 16 cents per 100 pounds freight rate from Pittsburgh to New York.

Under these conditions it is generally deemed best to keep plants running rather than to close them down in order that the organization may be kept together. Any impartial observer will see that the situation in this business to-day is one that can not be trifled with, and every protection that can be extended to it should be given.

To this brief the following tables have been attached:

- (1) Summary of import duty rates on iron and steel sheets, black and galvanized No. 24 gauge.
- (2) Production of iron and steel sheets No. 13 and thinner in the United States.
- (3) Estimated amount paid in wages and salaries to men directly employed in the sheet steel industry in making steel sheets from sheet bars in the United States from 1905 to 1910.
- (4) Estimated cost of labor employed from the time of mining the ore to the finishing of the sheet bars.
- (5) Differential in labor on tonnage basis on sheet mills, No. 24 gauge.
- (6) Statement of cost of producing No. 24 gauge black steel sheets.
- (7) Statement of freight rates from European points to United States points.
- (8) Statement of freight rates from Pittsburgh to points in the United States.

Allegheny Steel Co., Brackenridge, Pa.; American Rolling Mill Co., Middletown, Ohio; Canonsburg Steel & Iron Works, Canonsburg, Pa.; Canton Sheet Steel Co., Canton, Ohio; De Forest Sheet & Tin Plate Co., Niles, Ohio; Empire Iron & Steel Co., Niles, Ohio; La Belle Iron Works, Steubenville, Ohio; McCullough Iron Works, Wilmington, Del.; Massillon Rolling Mill Co., Massillon, Ohio; Parkersburg Iron & Steel Co., Parkersburg, W. Va.; Seneca Iron & Steel Co., Buffalo, N. Y.; Stark Rolling Mill Co., Canton, Ohio; Thomas Steel Co., Niles, Ohio; Whitaker-Gleason Co., Wheeling, W. Va.; Youngstown Sheet & Tube Co., Youngstown, Ohio.

EXHIBIT A.

- (1) *Summary of import duty rates on iron and steel sheets, black and galvanized, No. 24 gauge.*

	Black.	Galvanized.
	Cents per pound.	Cents per pound.
Act of Mar. 3, 1893.....	1.2	1.9
McKinley bill, Oct. 1, 1890, effective July 1, 1891.....	1.1	1.85
Wilson bill, Aug. 1, 1894.....	.8	1.05
Dingley bill, July 24, 1897.....	.8	1.0
Payne-Aldrich bill, approved Aug. 5, 1909.....	.6	.8

- (2) *Production of iron and steel sheets, No. 13 and thinner, in United States.*

	Gross tons.		Gross tons.
1905.....	983,437	1908.....	864,900
1906.....	1,074,525	1909.....	1,245,404
1907.....	1,084,700	1910.....	1,436,619

- (3) *Estimated amount paid in wages and salaries to men directly employed in the sheet-steel industry in making steel sheets from sheet bars in the United States from 1905 to 1910.*

1905.....	\$11,053,831	1908.....	\$9,721,476
1906.....	12,077,661	1909.....	14,032,060
1907.....	12,192,028	1910.....	16,136,357

- (4) *Estimated cost of labor employed from the time of mining the ore to the finishing of the (sheet) steel bar from which the sheet is rolled.*

1905.....	\$7,375,777	1908.....	\$6,496,750
1906.....	8,058,937	1909.....	9,363,080
1907.....	8,135,250	1910.....	10,767,142

824 DUTIES ON METALS AND MANUFACTURES OF METALS.

(5) *Differential in labor on tonnage basis on sheet mills, No. 24 gauge.*

	United States.	England.	Differential.
Roller.....	\$2.31	\$1.14	\$1.17
Rougher.....	.80	(1)	.80
Heater.....	1.76	.84	.92
Stripper.....	.79	(1)	.79
Cutcher.....	.80	.60	.20
Doubler and matcher.....	1.10	.92	.18
Pair heater.....	.66	(1)	.66
Shearer.....	1.01	.65	.36
Total per gross ton.....	9.23	3.85	5.38

The work of this man is done by one of the others, and thus fewer men employed.

(6) *Cost of producing No. 24 gauge black steel sheets.*

	Cost per ton.
Sheet bars, at \$22.40 gross ton, 2,682 pounds (1.17½ per cent).....	\$26.32
Credit: Sheets (2,240 pounds), scrap, 962 pounds.....	1.88
Net cost of material.....	24.44

	Cost per ton.	
	Labor.	Other charges.
Rolls.....		\$0.55
Fuel for heating and annealing.....		.70
Superintendent, foreman, and clerks.....	\$0.13	
Tonnage labor.....	6.97	
Day hands (regular).....	1.86	
Extra day hands.....	.10	
Unloading, shearing, weighing, and delivering sheet bars.....	.26	
Unloading coal and removing ashes.....	.04	
Engineers and assistants.....	.07	
Roll turning and polishing.....	.06	
Changing and handling rolls.....	.01	
Weighing and handling finished product.....	.26	
Crane operators.....	.03	
Scrap boys.....	.20	
Loading shearings and bar ends.....	.61	
Cold-rolling labor.....	.24	
Annealing labor.....	.19	
Reheating.....	.17	
Bundling and stonodding.....	.09	
Warehouse and shipping labor.....	.17	
Total producing labor.....	10.85	
Labor in repairs.....	.87	
Labor in maintenance.....	.09	
Material in repairs.....		.23
Material in maintenance.....		.02
Annealing boxes.....		.80
Hot and cold neck grease.....		.09
All other lubricants.....		.02
Brasses.....		.10
General works expense.....	.83	
Steam (including fuel).....	.11	.35
Water.....	.02	
Electric light and power.....	.05	
General plant depreciation.....		1.00
General expense (selling, taxes, insurance, interest, discounts, etc.).....		2.00
Total.....	12.25	5.35
Total cost of 1 gross ton (2,240 pounds) No. 24 gauge black sheets.....		17.60
Cost of 100 pounds of No. 24 gauge black sheets.....		42.04
		1.87

(7) *Statement of freight rates from European points to United States points.*

From—	To—	Rate per 100 pounds.
Liverpool.....	New York.....	<i>Cents.</i> 10
Do.....	New Orleans.....	11
Do.....	Pacific coast points via Tehuantepec R. R.....	35
Do.....	Pacific coast points, all water.....	25-30

(8) *Freight rates from Pittsburgh, Pa., to other points.*

From—	To—	Per 100-pound rate (carload).	From—	To—	Per 100-pound rate (carload).
Pittsburgh.....	New York.....	16	Pittsburgh.....	San Francisco, Cal.....	95
Do.....	Troy, N. Y.....	16	Do.....	Los Angeles, Cal.....	95
Do.....	Buffalo, N. Y.....	11	Do.....	Portland, Oreg.....	95
Do.....	Syracuse, N. Y.....	12½	Do.....	Seattle, Wash.....	95
Do.....	Philadelphia, Pa.....	15	Do.....	Vancouver, B. C.....	100
Do.....	Hartford, Conn.....	18	Do.....	Winnipeg, Manitoba.....	72
Do.....	Boston, Mass.....	18	Do.....	Charleston, S. C.....	27
Do.....	Providence, R. I.....	18	Do.....	Birmingham, Ala.....	45
Do.....	Portland, Me.....	18	Do.....	Nashville, Tenn.....	30
Do.....	Wilmington, Del.....	15	Do.....	Jacksonville, Fla.....	22
Do.....	Trenton, N. J.....	16	Do.....	Richmond, Va.....	20

Figures used represent cents per 100 pounds in full carload lots.

STATEMENT OF MR. ROBERT GARLAND, OF PITTSBURGH, PA., REPRESENTING THE GARLAND NUT & RIVET CO.

Mr. GARLAND. Mr. Chairman and Senators, I want to speak on the matter of nuts—iron and steel nuts. It is contemplated by the Underwood bill to put nuts on the free list. And just as “pigs is pigs,” I want to show there are nuts and nuts. I want to say that a nut is not just a common, ordinary piece of flat iron with a hole in it. There are finished nuts, and my company makes that kind of a nut, and I do not want to see them put on the free list.

The present duty under the Payne-Aldrich bill on nuts is three-fourths of a cent per pound. The Underwood bill proposes to place this article on the free list. This would mean a great hardship on the manufacturers of nuts and particularly on what is known as “cold-punched nuts.” The cold-punched nut is a higher class product than what is generally known as the common or hot-pressed nut. The proportion of labor and overhead charges to material is much greater in the cold-punched than in the hot-pressed nut.

The hot-pressed nut, average size, will show about 75 per cent in material cost, while the labor and overhead charges will represent approximately 25 per cent of the cost. The following table on the cold-punched nuts is approximately correct:

Proportion of material and labor in cost, average sizes.

	Material.	Labor and overhead.
	<i>Per cent.</i>	<i>Per cent.</i>
Square nuts.....	50	50
Hexagon nuts.....	40	60
Semifinished nuts.....	35	65

The semifinished nut is a finished nut if used in high-class machinery, such as automobiles, or tools, high-class tools, something of that kind. It is faced and trimmed and rimmed and chamfered, and goes through different processes requiring skill.

The above figures are on average sizes. The smaller sizes of nuts, viz, one-fourth and five-sixteenths, will show approximately 10 to 15 per cent material, as against 85 to 90 per cent labor and overhead.

This company does not export any cold-punched nuts for the reason that it can not compete with foreign makers. The cold-punched nut is a special line. A considerable quantity of these nuts are chamfered, trimmed, and reamed. They are used on the best class of tools and machinery. The making of these nuts is not only the punching of a hole in a piece of square iron or in a hexagon-shaped blank, but there are a number of special operations where skilled labor must be employed.

We do not make the common or hot pressed nut, but we consider it would be a hardship to place even that class of nut on the free list. We do strongly protest, however, against putting the high-class special nut or the general line of cold-punched nuts on the free list, and ask for a retention of the present duty of three-fourths cent per pound in order to protect the American manufacturer against European competition. The protection now given is not as much as the difference between labor here and in Europe.

Gentlemen, I want to call your attention quickly to the importations. I can not tell you what the classification shows unless you gentlemen have information. But it shows nuts and washers. I do not think very many washers could have been imported, because the washer is nothing more or less than a piece of iron with a hole in it. The material is fed to a press and simply punched. So that nuts and washers are shown here together, and I rather think that possibly just means almost altogether nuts.

Under the Dingley tariff 53,000 pounds were imported in 1905; under the Payne tariff, 1910, fifty-two thousand and odd pounds; and in 1911, one hundred and eighty-four thousand and odd pounds. It is not a large industry. I am speaking particularly of the cold-punched or special nuts. There are not many men engaged in this industry; possibly 2,500 or 3,000 men in this country. It is just one of those little specialties made by about 15 manufacturers that we do not want to see put on the free list, and I think it must have been put on the list under a misconception or a misunderstanding of just what a nut it; because, as I say to you, there are nuts and nuts, and this is a high-class nut, which means considerable labor as against material, and we can not compete with European labor.

Senator SMOOT. Do you export any?

Mr. GARLAND. No, sir.

Senator SMOOT. Are there any nut manufacturers who do?

Mr. GARLAND. I do not think there are very many nuts exported. There are some bolts exported to South American countries; none to Europe that I know of. We do not export any nuts whatever. When I say none whatever, I do not think we ship out 10 kegs in a year. In fact, I might be overstating it when I say 10 kegs. We make other lines where we export; but that I am not going to bring out at this meeting. We make other things—electrical lines and others. But I do not care to bring that up here.

The CHAIRMAN. Mr. Garland, you have been president of the Hardware Manufacturers' Association, have you not?

Mr. GARLAND. Yes, sir; I was president for two years.

The CHAIRMAN. And vice president of the Pittsburgh Chamber of Commerce?

Mr. GARLAND. Yes, sir.

The CHAIRMAN. And you are familiar with the general conditions of the iron and steel industry?

Mr. GARLAND. Yes, sir; I think I am.

The CHAIRMAN. There has been a good deal of talk before the committee as to the extent of the supremacy of the United States Steel Corporation in the iron and steel industry.

Mr. GARLAND. I noticed that, Mr. Chairman.

The CHAIRMAN. I would be glad if you would state something about that matter from your general information.

Mr. GARLAND. I was president of the American Hardware Manufacturers' Association for two years, up until a year ago. Their membership is made up largely of hardware manufacturers—there are some in this room—and those men are in all the States of the Union, out through the Central West, and from Missouri to Illinois; I do not think we have any farther west than Illinois. We meet once a year, not for the matter of fixing prices, or anything of that kind, simply to meet our friends, the jobbers, who handle and distribute our goods. I have a pretty good knowledge of the working of all those people, and I would say, Mr. Chairman and gentlemen, that my opinion is this: I saw those figures given out about percentages; I do not think that the United States Steel Corporation, in iron and steel lines—that is, in raw material and finished lines taken together—represents much over 20 per cent, and I certainly am willing to say not over 25 per cent.

The CHAIRMAN. In value, you mean?

Mr. GARLAND. Yes, in value. I am speaking of value, because you take the large saw manufacturers, for instance, take Disston of Philadelphia, or Atkins in Indianapolis, and all those people, while they will buy a certain tonnage from the United States Steel or from Jones & Laughlin, or some of the independent manufacturers, yet they put the workmanship and the labor and the overhead charges on that line. That is only one line. There is the Pressed Steel Car Co., manufacturing all the steel cars we travel in. The United States Steel Corporation may furnish the plates or they may buy from Jones & Laughlin or the Cambria Iron Co. They may buy different places. The United States Steel Corporation reflects in a very small way on their value. But you take the hardware interests of the country, which are reflected in almost every locality, through the Eastern States to the Central West, and those men who are suffering do not seem to realize it, some of them, particularly, or they would all be here in large numbers; this room would not hold them. But of those men who make the finished lines, buy at 1 cent a pound, buy wire at 1 or 1.10 and turn it into the finished product at from 2 cents up, sometimes 7 cents a pound, I would say that the United States Steel Corporation in value does not represent over 20 to 25 per cent. I am safe in saying 25 per cent. So that when we see these figures given out about the corporation meaning 40 per cent of the iron and steel trade of the country, it is absolutely misleading.

Senator LODGE. Twenty-five per cent of the finished product?

Mr. GARLAND. Yes; of the value.

Senator LODGE. Of the value of the finished product?

Mr. GARLAND. Yes. They certainly do not exceed 25 per cent of the value of the finished article. People in their own minds can see only their own lines, and when they speak of the corporation's proportion, they speak of it in connection with their own limited line of raw and what we call semifinished material. But when that goes out to thousands of customers throughout the United States, you will see it in wagons, in the Studebaker wagon, and the Millburn wagon, and the pressed steel car, in the hardware corporation, the Yale and Towne keys, and all those things. It means steel. But when it goes out as the highly finished product, I am pretty sure they do not represent 20 per cent; and I am safe in saying 20 to 25. So that the corporation does not represent the iron and steel or kindred interests of the country by any means.

You take chains. The chain question was before the committee this morning. I am vice president of one of the chain companies that appeared here this morning. The president appeared here early this morning, representing the Standard Chain Co. That company buys its material from the United States Steel Corporation, and they put a great deal of labor on that chain, fuel, and other other expenses, and they sell it as chain. The corporation should only get certainly small credit for that, just as would all the other chain manufacturers, and all of the manufacturers of hardware.

Coming from Pittsburgh, where we really probably have got a good deal of tariff protection in the past, it is getting down to rather thin ice, and we do not want to be hit too hard. I represent some lines of hardware out there—hardware lines—and I want to say that any reduction, or contemplated reduction in the Underwood bill, will work great havoc, not only to the manufacturer whose capital is invested in these different lines, but it will inevitably mean a reduction in the wages of labor. And a reduction in the wages of labor is obnoxious even to the manufacturer of Pittsburgh. We would not like to see men cut down, because we do not believe that the cost of living would come down in proportion to what we may have to do in the way of reducing the wages of the labor.

I want to say this, also, that we are very much troubled about Pacific coast conditions. We are troubled so much, Mr. Chairman, that about a year and a half or two years ago, when the matter came up in the Chamber of Commerce of Pittsburgh as to whether we should recommend New Orleans or San Francisco for the exposition in 1915 to celebrate the opening of the Panama Canal, there was just one man out of about 300 at a called meeting voted for San Francisco; and the reason was this, that even at that time the Pacific coast trade was being divorced from Pittsburgh so much that we looked at San Francisco as almost a foreign city, and we voted for New Orleans because it was not only a tributary, and, we thought, a question of water transportation; but we thought, here is an American city which buys only American material. At that time the buildings were going up in San Francisco with Belgian steel—foreign steel. Under the Underwood bill we will simply divorce the Pacific coast from Pittsburgh. I am speaking as a Pittsburgher. We will simply divorce it; and we will go out, if we have the money, in 1915, to celebrate the greatest thing this country

ever did, the opening of the Panama Canal, and we will see foreign flags flying over structural materials made in foreign countries. There is no question about it, because they are buying it out there to-day, and under the Underwood bill they would buy more. We can not ship goods from Pittsburgh, as we will be able to do in the future, if you give us what the President has promised us—sixty millions or so for the deepening of the Ohio, water transportation through the Ohio and through the Panama Canal to the Pacific coast; but we can not expect much lower than a 40-cent rate, and 40 cents will not allow us to get to the Pacific coast and overcome the freight rates from abroad. We can not do it to-day. We are getting a little of it back on account of depressed conditions. Conditions are so depressed that prices are low, and we can compete a little bit. Six months ago we were not competing; but under the Underwood bill, which will mean reduced labor cost and reduced prices of finished material, we simply will lose that Pacific coast trade. We people in Pittsburgh felt that at that time, although we were not prophets enough to see that anything like the Underwood bill was coming up. There was a peculiar thing. A great many people in Pittsburgh have never seen the coast. I have been in the hardware business for 30 years and have never been on the coast. I never got there. I thought to myself, under present conditions we can not do much business out there, and New Orleans is our customer. I want to say that it is something terrible that is confronting the hardware men in this country if the Underwood bill goes through.

Senator SMOOT. The Wilson bill gave you 25 per cent ad valorem?

Mr. GARLAND. On nuts?

Senator SMOOT. On nuts.

Mr. GARLAND. Yes, sir.

Senator SMOOT. Did you have difficulty at that time in meeting foreign competition?

Mr. GARLAND. We were not making cold-punched nuts at that time.

Senator SMOOT. You were not making them?

Mr. GARLAND. No, sir. We have been in the chain business, the rivet business, the electrical conduit business, and different lines, and we have been making cold-punched nuts for only about four or five years.

Senator SMOOT. The Payne-Aldrich bill provides three-quarters of a cent a pound. If that was cut to half a cent a pound would it affect your business materially?

Mr. GARLAND. I think it would, Senator, for this reason: That I notice there were more importations in 1911 than in 1910. Those foreigners are very good business men, especially the Germans. I think they possibly go a little further than we in getting after trade, and once they get a foothold they keep right at it.

Senator SMOOT. Have you any figures to show the difference in the wages paid in this country and in foreign countries?

Mr. GARLAND. We have gotten lists from people from the other side. We run across them every now and then in other lines, and talk matters over. They pay for their unskilled labor about 9 or 10 cents an hour.

Senator SMOOT. And what do you pay?

Mr. GARLAND. We work our man nine hours and pay him \$1.60 a day for unskilled labor. We pay about \$3 a day to our skilled men, on an average—our men operating machines, and everything of that

kind. Then, of course, we have some boys who do not get so much; but they get more than men do on the other side.

Senator SMOOT. You are a practical manufacturer, are you not?

Mr. GARLAND. Yes; I have been engaged in it now a good many years. I served my time with Senator Oliver; 15 years with the Oliver Steel & Iron Co.

Senator SMOOT. You are a practical man in the mill?

Mr. GARLAND. Not exactly. I am in the office. But I am practical enough to know what is going on in the mill.

STATEMENT OF MR. H. L. HENRY, OF BRIDGEPORT, CONN., SECRETARY AND TREASURER OF THE GENEVA CUTLERY CO.

Mr. Henry also represents Challenge Cutlery Corporation, Bridgeport, Conn.; Geo. W. Korn Razor Manufacturing Co., Little Valley, N. Y.; The J. R. Torrey Razor Co., Worcester, Mass.; International Cutlery Co., Fremont, Ohio; Geneva Cutlery Co., Geneva, N. Y.; Robeson Cutlery Co., Rochester, N. Y.; W. R. Case & Sons, Bradford, Pa.

The CHAIRMAN. The committee will now take up the cutlery question and begin with Mr. H. L. Henry, secretary and treasurer of the Geneva Cutlery Co., who will speak. Mr. Henry, you will leave with the stenographer a list of the companies you represent.

Mr. HENRY. Yes, sir. Mr. Chairman and Senators, before stating what little I have to say, I want to put on your desk here, where you can look at them, a few razors, which will illustrate the conditions existing to-day in this country and Germany.

We, representing razor manufacturing interests, respectfully call your attention to the following facts:

The razor industry in the United States is in no combination, nor has there ever been sufficient protection to enable the American factories to produce and sell as many razors as has been imported each year.

Under the Payne tariff bill the importations of razors in 1910 were \$305,657; in 1911, \$375,835. The estimated importations for 12 months under the proposed Underwood bill, as made by the Ways and Means Committee and shown on page 50 of Report No. 260, are \$800,000, an estimated increase of \$424,165 over the year 1911; whereas the entire production of all razor manufacturers in the United States has not yet reached the sum of \$400,000. On this basis the razor industry of the United States is wiped out of existence.

Senator SMOOT. And with an increase of consumption of 100 per cent?

Mr. HENRY. Yes, sir. On Exhibit A, herewith attached, we submit five samples of imported razors, one under each classification of the present Payne tariff bill, with the "landed cost," including duty; and for comparison five similar American razors with manufacturers' actual cost.

In the figures we give you you will note that the German razors simply have the landed cost, and that includes the factory profit, whereas in the figures given for American factories we give only the actual cost of production; we do not want to make the difference too big. No razor can be made to compete in this country with razor No. 1, which is generally called a 4 mark-20 razor, which equals 99.96

cents, a little under a dollar. The razor marked "No. 2," known as the 6 mark-30 razor, figures slightly under a dollar and a half.

Senator LODGE. A dollar and a half a dozen?

Mr. HENRY. Yes, sir; these figures are all by the dozen. The cost complete in this country of razor marked "No. 2," the American razor, is \$2.60 per dozen. On razor No. 3 the German cost, landed, with the factory profits; is slightly under \$2. The American cost of razor marked "No. 3" is \$3.55 a dozen.

On razor No. 4, known as 12 mark-60 razor, slightly under \$3. The cost of the American razor is \$4.84 per dozen.

On razor No. 5, the 13 mark-80 class, equal in our money to \$3.28 and a fraction, the American equivalent cost to manufacture in this country is \$6.02 a dozen.

It will be seen by the above on razor No. 1, of which there were imported during the year ending June 3, 1911, 109,329 dozen, that it is impossible for the American manufacturer to even make any effort to secure business under this classification.

That is all I have to say, gentlemen.

Senator SMOOT. How many razor manufacturers are there in the United States?

Mr. HENRY. There are seven, who are making a few razors. Most of them are making also pocketknives. I think there are only two making razors alone.

Senator SMOOT. Have you the figures showing the difference between the wage paid to the laborers engaged in manufacturing razors in this country and those engaged in working at the same work in Germany?

Mr. HENRY. Yes, sir; I have, and in that connection I would say that I have a man, an employee of one of the razor cutlery companies here, who has recently been in Germany, who learned the trade in Germany, and who is familiar with the prices in Germany, and also with the prices for the same class of work in this country.

Senator SMOOT. Can you file that list, or will the workman you speak of file it?

Mr. HENRY. I will file that, giving it in detail.

The CHAIRMAN. Is this party to appear before the committee?

Mr. HENRY. Yes, sir. He will cover that very thoroughly.

Senator SMOOT. You have that list, and you will file it?

Mr. HENRY. Yes, sir; I will give that to the stenographer.

The following documents were submitted by Mr. Henry:

H. R. 18642—RAZORS—FINISHED AND UNFINISHED.

To the FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

GENTLEMEN: We, the undersigned employees of the Geneva Cutlery Co., Geneva, N. Y., and members of the Geneva Cutlery Co. Employees' Benefit Association, at a special meeting of the association, unanimously elected George H. Baker, our treasurer, to represent our interests before your honorable committee to protest against the proposed H. R. 18642 and to plead with you to carefully and thoroughly post your committee on the facts in the case and their relation to us as workmen, both skilled and those who hope to become skilled American cutlers.

In the year of 1910, there was made in our factory over 32,000 dozen cheap razors. These razors were the equivalent of the German razor that carries a straight ad valorem duty of 35 per cent. It took only a few months for the German factories, with their cheap labor to meet the conditions of this cheap razor; that is, that it must be produced in Germany at less than \$1 per dozen. In the year of 1911 our factory out-

put on the razor, the equivalent of this 35 per cent ad valorem razor, fell off 26,000 dozen, and a good many of our fellow employees were of necessity without work and forced to begin new trades.

The Underwood bill puts all razors on a straight 35 per cent ad valorem basis. If that bill is passed, our factory will be unable to compete with Germany's cheap labor and the years we have spent in learning our trade will be wasted.

We are convinced that the Geneva Cutlery Co. is paying us as high wages as possible, and we know with the protection of only 35 per cent ad valorem, razors can not be made in the United States at living wages. Some of us have worked in the cutlery trade in both Germany and the United States, and we have prepared a true table of comparative wages. This table is as follows:

	Weekly wages paid in—	
	Germany.	United States.
Forgers and trimmers.....	\$4.30-\$7.00	\$12.00-\$21.00
Dry grinders.....	4.30- 5.70	12.00- 18.00
Hardeners and temperers.....	4.30- 6.00	15.00- 21.00
Concavers.....	4.30- 9.00	16.00- 24.00
Polishers.....	4.30- 5.70	12.00- 21.00
Razor handle-makers.....	4.30- 5.00	12.00- 18.00
Honers and handlers.....	2.50- 6.00	6.00- 15.00

A great many of us are married and have large families depending entirely on the success of our company, and we earnestly pray that your honorable committee will consider our interests and make no reduction in the present razor tariff.

February 20, 1912.

H. D. Tarbell, R. H. Dean, M. A. Wilson, M. A. McDonald, G. H. Cuddeback, H. F. Scott, F. M. Fitzgerald, Max Rich, W. J. Buckholz, A. Toole, M. McCarthy, M. A. Moylan, R. L. Babcock, Walter Althoff, A. Ridley, H. Latham, L. Larson, L. Hennessy, M. Hauck, R. Hennessy, L. Frantz, A. Kehr, M. Hays, A. Gannon, Z. H. Le Brun, C. Reagan, T. Thiery, A. G. Dadson, H. Simpson, M. A. Ridley, F. Robinson, N. Reynolds, A. Sullivan, A. Willower, K. Toomey, A. Garvey, G. Hennessy, Wm. H. Davie, Thos. P. Sherman, A. W. Sparks, B. J. Carpenter, C. Taney, D. Updike, Wm. Drumm, Ray Hicks, Fred Larson, E. G. McDonough, Thos. McNicholas, E. H. Kelly, E. J. Davis, A. Cummings, Larry Dorsch, John J. Moylan, Irvine Cleveland, Geo. Dorsch, M. Canfield, C. Rogan, D. Perry, N. McNicholas, C. Corcoran, K. Walsh, H. De F. Patterson, H. A. Dadson, N. E. Walther, B. Devlin, M. Noonan, N. Guinan, N. Walsh, C. Ronga, R. Sterling, O'Neill De Sic, J. C. Larsen, Fritz Schneider, A. Chapman, Chas. Hennessy, J. O'Connor, Rob. Jansen, W. Schasepen C. Sorenson, Chas. Brower, Malcolm Semple, Wm. Willower, E. Vandebogart, Bert Harrison, Eli Bailly, jr., H. McLaughlin, C. Harrison, R. Van Deventer, E. Kuney, M. Krug, Robert Wilson, A. Larson, T. B. Harrison, Louis Ritter, A. Walsh, M. Kelley, S. Moylan, M. E. Kelley, L. Toole, Geo. H. Baker, Otto Dorsch, W. Cummings, Lewis McGillivray, Fred Hennessy, Robt. Hennessy, Carl Larson, F. S. King, M. F. Troutman, F. Ferris, R. Connell, D. P. Lynch, Frank Day, George Ritter, Wm. Cass, J. Greenaway, Chas. Dorsch, W. King, P. Griffin, Fred L. Goetchius, R. Francis, M. Barrett, John Callahan, Alfred Larsen, Paul Ittner Alfred Paulson, G. C. Sherman, Paul Paulson, George Bucklin, Robt. A. Aikins, C. H. Aikins, J. C. Meyer, Chas. Green, Thos. Howe, Fred T. Cooley, George Hood, C. A. Cary, G. E. Herman, George King, E. Turner, E. Hennessy, L. Beach, F. Ochs, Casper Yost, J. Maloney, R. Stavenga, G. Hauck, H. Francis J. McAniff.

H. R. 18642, PARAGRAPH NO. 26—POCKET KNIVES AND RAZORS—FINISHED AND UNFINISHED.

To the FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

GENTLEMEN: We, the undersigned employees of the Robeson Cutlery Co., Perry, N. Y., do hereby petition your honorable body to consider this protest against the reduction of the tariff on the above-named goods, as proposed in the Underwood bill, because a reduction in tariff of over one-half of the present protection will, we believe, result in lower American wages for cutlery workmen, as has happened in the past, especially under the Wilson bill. Present cost of our food and clothes is so high that it will be impossible for us to face a reduction in our wages, and would—should it become necessary on account of lower-priced imported goods—result in very serious hardship to the undersigned.

H. E. Johnston, George Colton, A. F. Scholes, F. R. Bork, Fred Clay, Robert Welch, Walter Kemp, Herman Lonhardt, Melvyn Mason, George McDonald, E. C. Moran, Lee Sullivan, James Sheer, G. A. Kemp, Fred Whittham, Joseph Hoepfe, Wm. R. Cogswell, Edward Ralph, I. J. Elling, John W. Barrows, A. Tanzer, T. W. Stones, Glenn Lapham, Ed. Doolittle, Glen Kelso, R. W. Gregg, Chas. Calligan, Howard L. McDonald, James Murphy, J. A. Wright, Frank Sheer, Louis Redden, Robert Porter, LeRoy P. Berry, Riley Whalen, Per Yahnsen, J. B. Bergerson, Fred Wright, Tinnie La Forge, J. B. Townsend, Wm. Brewer, jr., A. Baker, J. A. Crossman, A. L. Orchard, H. G. Windsor, Walter Weeks, J. A. Klein, Ira A. Justin, Thomas Blank, Charles H. Fowler, Mike Standelley, F. A. Coleman, F. O. Stade, A. C. Cox, Arthur Johnson, Arthur Fink, John Tanzer, Francis J. Moyles, Robert Whelan, Vern Harter, George Fisher, J. B. Watson, Wm. Mahan, C. L. Havens, Roy Eddy, William O'Brien, Ross Baylor, Peter Eade, L. Fitzgibbons, F. E. Haskins, Sylvester Price, R. R. Bumps, Lynn Fitz Simmons, E. V. Jenks, W. C. Kennedy, Leonard Hall, Lewis Baker, John Fismann, C. L. Wager, W. B. Silvernail, Charles Wygant, Edison Barnard, Chas. Wingert, Earl Vincent, Leon Rapp, W. Y. Beaman, Bert L. DeGroff, Harry Miller, H. E. Kahler, A. Gibney, L. Sayles, C. Menter, G. W. Weimer, G. H. Reaney, Paul Daley, E. T. Robbins, Frank R. Storms, Selah Mullen, Harry Eagleton, A. L. Boyer, M. C. Spink, Frank Toal, E. R. Albaugh, Raymond Gibney, Walter Scott, LeRoy Mason, Wm. Smithwaite, Will Bly, George Bly, Joe Lewis, W. D. Segling, Joe Holmes, C. Deviney, J. E. Theetge, Sloat Hamlin, W. C. Henderson, Harry Wheeler, Mike Woods, Jay Owens, Samuel Beagle, H. O. Beckwith, R. I. Markham, Pierre E. Ferguson, G. S. Rawson, M. Cavanaugh, T. Sardenia, John M. Nye, Wm. Hitchcock, Lyman Hann, F. W. McIntosh, W. G. Miller, J. D. Weeks, Karl J. Kelso, Fred Brook, R. Wesley Smith, Lewis A. Walker, John C. Renne, Robert Walker, Wm. H. Harrison, John Gadson, Edward Ryan, F. A. Ross, J. Donaldson, E. J. O'Brien, James Farrell, Carl F. Briem, Harry Masten, Oscar Gustafson, Lawrence Hurst, James Earl Burgett, M. Schasepen, S. Nickerson, Lloyd Watson, R. W. Smith, Wm. Bell, James R. Pennington, E. Folts, R. M. Hewitt, George Miller, Frank Kuepper, V. H. Butts, Chas. F. Beecher, Alfred Segling, E. B. Burroughs, Wm. Terwilliger, R. Steadwell, Arthur Menter, W. W. Fox, Joseph Frazier, P. McGuire, Truman Kessler, Joseph Arnold, Harry Phinney, C. F. Wagar, Dennis Calkins, Joseph Hoepfl, C. A. Quick, Lewis Pancee, John Save, W. F. Eagan, Bert Austen, Frank J. Arwine, Roy D. Hohn, J. P. Seggins, W. D. Hollister, L. F. Struble, Joe Collins, Joe McKillop, John Fisher, Eugene Sheer, Fred Adams, W. H. O'Brien, R. H. Cotton, J. Cooper, Jas. Terwilliger, Payson Hammond, S. S. Smedley, Myron Strous, D. G. Bush, N. D. Brewer, Wm. D. Hough, A. A. Eagleton, C. C. Hollister, George E. Donald, Harry Fillie, Lester Enderly, James Bell, Frank Hottis, Lawrence Bucknam, C. Terwilliger, A. D. Campbell, Charles Innocent, Charles Parker, A. H. Terwilliger, Carl Otto Hendricks, B. F. Maloney, Arthur Scholes, Charles Barham, Joseph Jones, L. U. Theetge, Wm. Finger, Edward Mackney, Abram Johnson, Frank Hicks, Samuel W. Burgard, Erza Revitzky, Henry Haskins, Thomas Cryer, W. A. Cryer, A. W. Ferrell, P. H. Duffey, F. N. Calking, C. B. Friedley, G. E. Pratt, F. A. Morris, R. F. Barry, M. A. Royce, B. L. Lindsey, L. Smith, J. Daniels, F.

Murray, H. Peters, M. E. Anderson, J. Salzer, Mrs. Mae Harrington, P. Fowler, A. Theetge, A. Lindsay, C. M. Pickard, A. E. Steadwell, A. Walton, E. J. Hadsell, Wm. Allen, Wm. Spencer, Frank E. Welch, L. V. Brennan, Curtis J. Kelso, Arthur Capin, Bert Luce, H. Wesley Harwood, George Froggatt, Walter Rodgers, Edward J. Moyles, Albert Walker, Raymond Walker, Ralph Derrick, James Gilborne, Archie Sherman, S. R. Voorhees, John Bell, Lezlie A. Davis, E. Wolff, Elmer W. Bates, A. J. Smith, R. M. Weigel, M. M. Clark, Willis Norton, Henry Norton, J. M. Hauck, A. J. Beaver, H. B. McKeveit, Orrie Lincoln, A. E. Brink, H. K. Walpole, George H. Murray, L. Taylor, M. Van Cise, C. Carey, M. Auckland, E. Sherrell, A. E. Carey, H. Higgins, F. Higgins, A. Rauch, K. O'Brien, F. Bork, I. Paterson, A. Storms, F. Clark, A. Johnson, C. J. Spellicy, Arthur Wagner, Lloyd Shaw, James Peters, John Shields, Clarence Brown, Thomas Holmes, Charles McDonald, Ray Waldron, Walter J. Ward, William Slocum, Floyd Beardaley, William Clark, Leslie Hurlburt, Lawrence Kelley, Alfred Dadd, Deil Horrell, Roy Zerby, Wm. Fladie, George Wright, Jess Terwilliger, W. J. Gregg, R. S. Brown, Elmer E. Lee.

STATEMENT OF MR. WILLIAM TURNER, OF WORCESTER, MASS., PRESIDENT OF THE J. R. TORREY RAZOR CO.

Mr. TURNER. Mr. Chairman and gentlemen, I coincide with everything the former gentleman, Mr. Henry, has said. In addition, I have a short statement which I would like to submit.

The CHAIRMAN. Go on.

Mr. TURNER. In submitting the verbal statement of the company I represent, the J. R. Torrey Razor Co., of Worcester, Mass., I will state that this company was incorporated in 1880 by Joseph Turner, who, prior to that date, had been making razors in a very small way in Meriden, Conn., and by Joseph R. Torrey, who had been importing razors prior to a short time before that and was selling them in connection with razor strops, which he had manufactured even at that time, for a great many years.

These gentlemen conceived the idea that it was possible to work up a razor business on a high-grade razor, the duty then being 50 per cent ad valorem, but they found it very difficult to compete with the foreign manufacturer, except where money competition did not count.

They from the start put their best efforts into developing a high-grade razor that would sell for its quality rather than its price, and they did, to an extent, build up a fair business with the dealer where the dealer wanted a high-class razor, and also did a small business with the jobber.

When the McKinley bill came in force, with the increased duties on razors, the Torrey Razor Co. increased their trade very much with the jobbers, for the McKinley bill placed the domestic manufacturer on a more equal basis with the foreign manufacturer. The business grew very satisfactorily under this period, but this did not in any way change the price of the razor to the dealer or the consumer.

During the period of the Wilson bill, which, of course, was very unfavorable to the manufacturers in this country, our company found new business with the dealers almost impossible to get and also lost some of the jobbers' business they had on account of the decrease of the German manufacturer's price to the jobber. But let me state again this did not change the price to the dealer nor to the user.

Under the operation of the Dingley bill our company made material increase in their business, but found under this bill that the Germans

were competing very closely on account of the difference in wages paid the German manufacturer's workmen and the American manufacturer's workmen. During all this period our company had also made very great changes in the manufacture of their goods, trying all methods possible to reduce the cost by modern methods that did not in any way injure the quality of the production.

When this Payne bill went into effect we hoped to make decided advances in the manufacture of razors at our plant, but soon found out that the German manufacturers were producing razors so that the importers could compete even with the apparent advantages to the American manufacturers of the Payne bill. On investigation we found that the importer had got the German manufacturers to make razors for them at a much lower price than they had ever been able to do before, and we also found that for a stated razor the price was from 15 to 25 per cent less per dozen to be imported to the United States than this same razor was sold by the same manufacturer to be sold in Germany. This also put us at a very great disadvantage with the imported razor.

Our company asks only to be put on a fair competitive basis with the foreign manufacturer. In the samples my company submits in competition with the German razor of the same class we have produced a razor in each case that had about the same class of workmanship in it that is in the German sample, giving you the cost of the razors made at our factory, including only the actual shop or factory expenses above the cost of labor and material.

We trust, therefore, gentlemen, that with the statement made by the combined razor manufacturers of the United States and the statement made by our company, with also that of the other individual companies of the United States, the present tariff will not be reduced.

I will be pleased to answer any questions you may desire to ask.

Senator HEYBURN. I notice these razors that were handed to the committee by the gentleman who preceded you have stamped on them, one, Lafayette Cutlery Co., Germany. That was imported, I suppose. Do you know about that?

Mr. TURNER. Yes, sir.

Senator HEYBURN. I notice one here, Geneva Cutlery Co., Geneva, N. Y.

Senator SMOOT. "And Germany," is it not?

Senator HEYBURN. Some of them say "and Germany." This is only Geneva.

Mr. TURNER. That is the American sample to compare with the one of the same number—the German sample. Take one of the same letter.

Senator HEYBURN. Here is one that does not say where it was manufactured. This is one that bears a double-headed eagle.

Mr. TURNER. That is also an American manufacture.

Senator HEYBURN. There is quite a variety of these here. It does not say where the Eagle Improved is made.

Mr. TURNER. Wherever there is a brand it is made in the United States.

Senator HEYBURN. Those made abroad should contain a stamp. Here is one I had in my mind. This is the M. L. Brandt Cutlery Co., Germany and New York. What is there to indicate whether that razor was made in Germany or New York?

Mr. TURNER. The only indication is that everything that is imported from Germany must have the word "Germany" on it.

Senator HEYBURN. Yes. Was that imported from Germany?

Mr. TURNER. That was imported from Germany; yes, sir. And that is one of the samples we submit. There are three made in the United States and three made in Germany.

Senator HEYBURN. Then these all go through the Customhouse?

Mr. TURNER. All those have been through the customhouse, and the reason we have selected those razors is because they are patterns that have been in the courts and sworn to as to their import cost.

Senator HEYBURN. These represent different grades; I should judge there are at least three different grades.

Mr. TURNER. Three.

Mr. HENRY. There are five.

Senator SMOOT. Take grade No. 2, this heavy razor from Germany. Do you remember what the importation cost was?

Mr. TURNER. I have the figure right here.

Senator SMOOT. Kindly give it to us.

Mr. TURNER. Razor No. 2 cost 6 marks 30—that is, in American money, \$1.499.

Senator SMOOT. A dollar and a half, in round numbers?

Mr. TURNER. Yes, sir; and the cheapest we can produce that razor—that is, in the factory, paying the workmen's wages and the cost of the material used—is \$2.60.

Senator SMOOT. This cost \$1.50, importation price?

Mr. TURNER. Importation price; yes, sir.

Senator SMOOT. That is, 12½ cents each. Can you tell me what that razor retails for?

Mr. TURNER. In the case of that razor it was imported to retail for \$3.

Senator SMOOT. That is what I thought.

Senator LODGE. \$3 a dozen?

Mr. TURNER. \$3 each.

Senator LODGE. \$3 each, and imported at \$1.50 a dozen?

Senator SMOOT. Certainly; that is regular in this business. There is nothing wrong in that. The duty on that razor is what?

Mr. TURNER. I have it all figured out that the duty paid to bring that razor costs the importer in this country \$2.73.

Senator LODGE. A dozen?

Mr. TURNER. Yes, sir.

Senator LODGE. And they retail for \$3 apiece?

Mr. TURNER. He could sell them for \$3 a dozen and make a big margin.

Senator SMOOT. But he sells it for \$3 apiece?

Mr. TURNER. It is supposed to sell for \$3 apiece.

Senator JOHNSON. What does your razor of the same quality cost you?

Mr. TURNER. It costs us \$2.60 a dozen.

Senator JOHNSON. And it retails the same as the other razor?

Mr. TURNER. No, sir; we sell that razor only to the jobbers and peddlers.

Senator JOHNSON. At what price do they retail them?

Mr. TURNER. They are marked to retail for the same thing.

Senator LODGE. At what price do you sell them to the jobber?

Mr. TURNER. We sell that same razor to the jobber for from three to four dollars a dozen.

Senator SMOOT. According to quantities?

Mr. TURNER. According to quantities and according to the conditions of the market.

Senator HEYBURN. As against what?

Mr. TURNER. The German can sell that razor for \$2.73 a dozen.

Senator JOHNSON. That is the cost here after the duty is paid?

Mr. TURNER. After everything is paid.

Senator SMOOT. That is his invoice price after the duty is paid.

Senator JOHNSON. But no profit.

Mr. TURNER. The manufacturer's profit is in that; yes, sir.

Senator SMOOT. That is what he sells it to the importer for.

Senator JOHNSON. I understand that it comes into this country costing him \$2.73, and you have given the cost of your razor. You sell it and add a profit, do you not?

Mr. TURNER. We have our profit included in that three to four dollars a dozen.

Senator SMOOT. And the German has his profit included in the \$2.73?

Mr. TURNER. Yes, sir.

Senator SMOOT. Take razor No. 3. What did that cost?

Senator LODGE. That retails at the rate of \$36 a dozen?

Mr. TURNER. That is, supposed to retail; it is marked that way, to retail at the rate of \$36 a dozen. Razor No. 3 is imported at 8 marks —40; \$2, practically.

Senator LODGE. Just a fraction under \$2.

Mr. TURNER. This razor costs the importer in New York, after all his expenses are paid, \$3.87. Our factory cost on that razor is \$3.75 a dozen.

The CHAIRMAN. How do you explain this enormous difference between the retail price of a single razor and the price the jobber pays for a dozen razors?

Mr. TURNER. That shows the difference in price that the actual user pays and the actual cost of the article.

The CHAIRMAN. That is a much greater difference, however, than prevails with most commodities.

Mr. TURNER. Yes, sir.

Senator SMOOT. Excepting, perhaps, sewing machines.

Senator HEYBURN. How many middlemen are there between the user and the manufacturer?

Mr. TURNER. It varies. It sometimes goes down through three different parties; sometimes it goes direct to the man.

Senator HEYBURN. Will you state the percentage represented by that difference between the cost and the selling price? Take either No. 2 or No. 3, for example.

Mr. TURNER. I did not quite catch the question.

Senator HEYBURN. Will you state the difference between the cost and the selling price?

Mr. TURNER. The cost of this No. 3 razor, at \$3.75, to us——

Senator HEYBURN. That is to you?

Mr. TURNER. That is to us; the import price of that razor is \$3.87 with all the expenses on it.

Senator HEYBURN. You say to you; are you a jobber?

Mr. TURNER. No, sir. I mean to say to us, as it is produced to come in the office.

Senator SMOOT. It costs that to produce it?

Mr. TURNER. It costs that to produce it, to manufacture it.

Senator HEYBURN. Oh, it costs that. You said "to us." You mean it costs you to manufacture it that much?

Mr. TURNER. Yes.

Senator HEYBURN. And the foreign razor costs the importer in the customhouse at New York how much?

Mr. TURNER. \$3.87 a dozen.

Senator HEYBURN. Just state, so it will go in the record, the difference between the cost of a razor and the selling price.

Mr. TURNER. I could not unless——

Senator HEYBURN. Take No. 2 or No. 3.

Mr. TURNER. We took the German razor and figured it out. I would say that that razor would sell to the jobber for from \$4 to \$5 a dozen.

Senator HEYBURN. That is the first price, to the jobber?

Mr. TURNER. Yes.

Senator HEYBURN. Now, then, next?

Mr. TURNER. Then the dealer; and it would go down to the user.

Senator SMOOT. From the jobber it goes to the retailer direct?

Mr. TURNER. From the jobber it goes to the dealer, and from the dealer to the user generally; and the user would pay anywhere from \$1.50 to \$4 each for the razor, according to the price that the dealer wanted to put on it.

Senator HEYBURN. What would the dealer pay?

Mr. TURNER. The dealer would pay from \$4 to \$5.

Senator HEYBURN. Apiece?

Mr. TURNER. A dozen.

Senator HEYBURN. Then the big difference is between the dealer—and you mean by that the retail man?

Mr. TURNER. I am wrong there. The jobber would pay from \$4 to \$5 a dozen, and the dealer would pay from \$8 to \$9 a dozen.

Senator HEYBURN. Do you mean by dealer the ultimate distributor?

Mr. TURNER. The retailer in the stores.

Senator LODGE. He would pay from \$8 to \$9 a dozen?

Mr. TURNER. Yes, sir.

Senator LODGE. And the customer would pay \$1.50 to \$4 each?

Mr. TURNER. Yes, sir.

Senator HEYBURN. There is no wholesaler who comes in there between the jobber and the storekeeper, is there?

Senator SMOOT. The jobber is a wholesaler.

Senator HEYBURN. He is not always a wholesaler.

Senator SMOOT. Is he not?

Senator HEYBURN. No.

The CHAIRMAN. It would not make much difference to the consumer what the duty on razors was?

Mr. TURNER. It does not make much difference; and it never has in the history of razors.

The CHAIRMAN. He seems to be foolish enough to pay \$3 or \$4 for a razor that is worth only \$1.50 a dozen or \$4 a dozen, whatever it is.

Mr. TURNER. Yes, sir.

Senator SMOOT. It is just the same way that they are foolish enough to pay \$65 for a sewing machine that costs \$9.50 to make.

The CHAIRMAN. Those are delivered in wagons all over the country, and there may be more expense in disposing of them.

Senator SMOOT. There are a great many of the razors delivered by peddlers.

Senator HEYBURN. Are razors sold largely by peddlers?

Mr. TURNER. This low class is mostly sold by peddlers, and for that reason a higher price is put on the goods.

Senator HEYBURN. Give us an idea how expensive that is. It is a rather startling proposition. What percentage of the razors would you say is sold by peddlers?

Mr. TURNER. I do not know.

Senator HEYBURN. Could you estimate it?

Mr. TURNER. All of those low-priced razors that come under this large importation, I should say, mostly pass into the jobbers' hands.

Senator HEYBURN. The jobbers' hands?

Mr. TURNER. Into the jobbers' hands; then into the peddlers' hands.

Senator HEYBURN. Do you mean by peddlers little, petty dealers, street-side dealers?

Mr. TURNER. Yes, sir; everything of that kind—Syrians, largely.

Senator HEYBURN. Do half of the razors pass out to the public through that channel?

Mr. TURNER. More than half of these low-priced razors; not the high-grade razors.

Senator LODGE. Those low-priced razors are all made in Germany, are they not?

Mr. TURNER. Yes, sir. Those that cost, imported, 99 cents can not be made in this country.

Senator LODGE. Ninety-nine cents a dozen, you mean?

Mr. TURNER. Yes, sir.

Senator SMOOT. There is a great bulk of importations coming in at that price.

Senator LODGE. What do those retail for?

Mr. TURNER. I do not know.

Senator HEYBURN. I suppose whatever the street vendor can get. Do any of our home-made razors go out through the hands of the peddlers, any considerable number of them?

Mr. TURNER. We have a small percentage that goes out in the hands of the peddlers. But it only happens where we want to produce something at a very low cost to keep our men going.

Senator SMOOT. In 1909 you convinced the Finance Committee that the rates in the Dingley bill were not sufficient to protect your interests by showing that quite a number of manufacturers of razors had failed in business.

Mr. TURNER. Yes, sir.

Senator SMOOT. And the great bulk of the business was the assembling of the razors as they were shipped from foreign countries into this country and assembled here. It was upon that showing that the rate was raised. Has that rate stimulated your business or not?

Mr. TURNER. We hoped it would; but there came a new factor in the field, and that was the undervaluation. We prepared and hoped to increase our business with the jobbers very much, but found a new factor, which bothered us greatly.

Senator SMOOT. In 1909 you furnished me with some affidavits in relation to undervaluations. Have you any affidavits up to date showing the undervaluations, or has there been any case in the customs office where the value of importations has been questioned of late?

Mr. TURNER. There have been quite a number of decisions. The actual cost of every one of these foreign samples has been shown. You heard the other day Dr. Hornung and Mr. Diehl. Mr. Diehl in particular was the expert of the Treasury Department importations. He showed us that there had been a very great many false figures.

Senator LODGE. You mean great frauds recently in undervaluation?

Mr. TURNER. Yes, sir.

Senator HEYBURN. You made a statement that rather surprised me. You spoke of undervaluations. The only razors that come in under an ad valorem duty are those valued at less than \$1 a dozen?

Mr. TURNER. Yes, sir.

Senator HEYBURN. You have given only a limited number of those—the 90-cent razors.

Mr. TURNER. There were during the year ending June 30, 1911, 109,329 dozen razors imported at less than \$1 a dozen.

Senator HEYBURN. You say they were undervalued at the port of entry or at the place where the duty was fixed?

Mr. TURNER. Some were; I do not know how many were undervalued.

Senator HEYBURN. Have you examined the alleged cases to find out the facts?

Mr. TURNER. No, sir.

Senator HEYBURN. We hear very much about the alleged undervaluations, and I would like to get some facts.

Senator LODGE. The frauds are in bringing in these cheap razors under the ad valorem duty, under that head. That is what Mr. Diehl has detected and exposed in Germany.

The CHAIRMAN. The number of razor establishments has been steadily decreasing in the United States, has it not?

Mr. TURNER. Yes, sir; on account of the competition of the German goods.

The CHAIRMAN. A number of years ago there were how many in the country; do you remember?

Mr. TURNER. I do not. They have varied at different times. A great many have started in to manufacture razors, and have fallen down because they could not produce them to compete with the German manufacturers. We are the only ones that started about 1880 that are left to-day.

Senator HEYBURN. There were formerly a great many small country establishments; that is, small-town establishments, that made razors?

Mr. TURNER. Yes, sir.

Senator HEYBURN. They have all disappeared, have they; or do any of them exist?

Mr. TURNER. I doubt whether there are any that are making razors to-day. Most of them can import them and buy them much cheaper than they can make them.

Senator HEYBURN. Of course, they make some. We see them occasionally. They make them out of various superior metals, but I do not know on how large a scale. I thought perhaps you did.

Mr. TURNER. A very small percentage.

Senator SMOOT. I just have the report from the department here. The importations for 1911 show that there were 1,311,948 razors imported into this country during the fiscal year ending June 30, 1911, valued at less than \$1 per dozen.

Mr. TURNER. Yes, sir.

Senator HEYBURN. How is it that the dealers who are interested in the integrity of that tariff, in that item, have not been able to discover or detect these cases of undervaluation?

Mr. TURNER. I can not answer that question; I do not know.

Senator HEYBURN. It seems that if it works you such an injustice, you might very readily purchase a few cases of razors that had come in as being valued at less than a dollar, and then go back and find out whether they had a fictitious or a real value.

Mr. TURNER. We have taken one or two cases, and have had them decided in our favor, showing that they were undervalued.

Senator HEYBURN. Where was that, what port?

Mr. TURNER. Both New York and Philadelphia.

Senator HEYBURN. That is what drives the small maker of razors out, is it, these imported razors?

Mr. TURNER. Yes, sir.

Senator HEYBURN. And you say there are only nine or ten?

Mr. TURNER. There are only seven to-day; but only two of us that make razors only.

Senator HEYBURN. You mean by that, large establishments?

Mr. TURNER. Yes, sir.

Senator HEYBURN. Can it be possible that there are no small razor makers at work in this country now?

Mr. TURNER. Unless you call the concaver a manufacturer. There are numerous concavers and jobbers all over the country.

Senator HEYBURN. That is what I had in my mind. I did not know that you classified them technically in that way. I have in my mind quite a considerable establishment that is engaged in concaving razors; and they are not included, then, in your statement?

Mr. TURNER. No, sir.

Senator HEYBURN. What does that amount to?

Mr. TURNER. There is quite a percentage of them. You would class them in two ways; There are the barber supply people, and there are also little jobbers, spread in almost every city in the United States, who take old razors and reconcave them, hone them, and repair them.

Senator HEYBURN. I do not know how you designate a razor that is not concaved, a plain razor; but do any of these cheap German razors go into the concaver's hand so as to be enhanced in value and entitled to come under another class?

Mr. TURNER. I should say so, at times, after they have been used some.

Senator HEYBURN. It is obvious it might be done at any time. You might take a 90-cent razor and concave it, then sell it on the American market at a very much higher price. Do you know whether that has been done at all, treating the German razors imported at this low rate as raw material merely for the American manufacture? Do you know whether that is done?

Mr. TURNER. To an extent, I presume it is.

Senator HEYBURN. You have no personal knowledge on that subject?

Mr. TURNER. No.

Senator SMOOT. The blades only are imported in such cases, are they not?

Mr. TURNER. That is the complete razor, but not the case.

Senator SMOOT. I am aware of that; but speaking of the assembler, of which there are some sixty-odd institutions, I suppose, in the United States, they import the razor not in a finished shape, but they import the parts of the razor and then assemble them here?

Mr. TURNER. Not to the extent that it used to be.

Senator SMOOT. Not to the extent it used to be?

Mr. TURNER. Not to the extent it used to be, because they can buy the German razor so much more cheaply than they could years ago.

Senator HEYBURN. They come under a different classification.

Senator LODGE. The importation of blades is negligible; it is very small.

The CHAIRMAN. Have you anything else, Mr. Turner?

Mr. TURNER. I have just one statement that might fit in with the statement of one of the employees of the other company, and that is in regard to wages.

The CHAIRMAN. You may file that statement, Mr. Turner.

Mr. TURNER. All right.

Senator HEYBURN. I would like to have go in the record this note, at the end of page 37, in regard to the blades. It says:

Provided, That blades, except in safety razors, handles, and unfinished razors, shall pay no less duty than that imposed on finished razors valued at two dollars per dozen.

That is the act of 1909.

Senator SMOOT. I would like to just call attention to this one thing, that of all the 2,493,923 razors that were imported into the United States during the year 1911, there were only 2,193 valued at over 25 cents each.

STATEMENT OF MR. MAX SCHASCHEPEN, OF ROCHESTER, N. Y.

The CHAIRMAN. The committee will now hear Mr. Schaschepen, of Rochester, N. Y., representing the employees of the Robeson Cutlery Co.

Mr. SCHASCHEPEN. Mr. Chairman, for myself and fellow-employees of the Robeson Cutlery Co., I desire to state to this committee that our attention has been called to the Underwood bill reducing the present tariff to 35 per cent, and on behalf of myself and my fellow-workers I wish to state to your honorable committee that we think it is utterly impossible, under the proposed bill, to manufacture razors in this country, paying any wages to the workingmen.

Senator LODGE. Do you know anything about foreign wages?

Mr. SCHASCHEPEN. Yes, sir; I have been working over there for 10 years in Germany.

Senator LODGE. Can you give the committee some idea of wages over there?

Mr. SCHASCHEPEN. Wages over there about three to one and four to one compared to this country. An expert razor man might make here \$4 a day, and there from \$1 to \$1.50.

Senator SMOOT. A day?

Mr. SCHASCHEPEN. Yes; a day.

Senator SMOOT. You have worked in the factories in Germany?

Mr. SCHASCHEPEN. Yes, sir; I worked there 10 years.

Senator SMOOT. And you are working in an American factory to-day?

Mr. SCHASCHEPEN. Yes, sir.

Senator SMOOT. And you know whereof you speak when you say there is that difference in wages?

Mr. SCHASCHEPEN. Yes, sir. That is why the Germans are able to come into the American market and pay a high duty and still undersell the American manufacturers.

Senator SMOOT. When working in Germany you paid as much for your flour as you do here, did you not?

Mr. SCHASCHEPEN. Just about the same.

Senator SMOOT. And you paid as much for your meat, if you got the same grade of meat, or a little higher?

Mr. SCHASCHEPEN. Yes, sir. Labor conditions are not nearly as good in Germany as they are here.

Senator LODGE. Did you ever work in what is called the cottage industry?

Mr. SCHASCHEPEN. Yes, sir; I was an expert workman in what you call the cottage work. They make a better quality than the factory work. I understand there has been an expert on razors here, Mr. Hornung, but he gave the wages only of the cottage workers; he did not give the wages of the factory. I know a factory in Germany, the works of Carl Frederick Ern, for instance, the largest razor manufacturers in the world, and Mr. Hornung did not give any price schedule for their factory. That is very misleading.

Senator JOHNSON. I thought he gave the figures for both the cottage industry and the factory.

Mr. SCHASCHEPEN. The cottage worker in Germany makes more money than the man in those big establishments.

Senator LODGE. You said that you worked in the cottage industry in the expert work.

Mr. SCHASCHEPEN. Yes, sir.

Senator LODGE. Are the most of the razors that are exported from Germany to this country made in the cottage industry?

Mr. SCHASCHEPEN. No, sir; the bulk of those razors are made in the factory, the cheaper grade.

Senator LODGE. The very cheap grade?

Mr. SCHASCHEPEN. The very cheap grade.

Senator SMOOT. What do the men in the factory receive per day?

Mr. SCHASCHEPEN. In the factory, in Germany?

Senator SMOOT. Yes.

Mr. SCHASCHEPEN. A man there probably makes 3 marks a day—3 or 4 marks a day.

Senator SMOOT. That is, from 72 to 96 cents a day?

Mr. SCHASCHEPEN. Yes.

Senator SMOOT. How many hours do they work in the factories?

Mr. SCHASCHEPEN. Ten hours a day.

Senator SMOOT. And how many days in the week?

Mr. SCHASCHEPEN. Six days a week.

Senator LODGE. Dr. Hornung said they worked only four days, and they made 42 marks in four days.

Mr. SCHASCHEPEN. I do not know about that. The Germans are all very industrious, and they work six days a week, and I think they work longer than they do here.

Senator LODGE. How much did you make when you worked six days?

Mr. SCHASCHEPEN. The highest I could make as an expert was 36 marks, or about \$7 or \$8 in American money.

Senator SMOOT. And that was six days' work?

Mr. SCHASCHEPEN. Yes, sir; six days' hard work.

The CHAIRMAN. It was stated here the other day that the German workingman knocked off on Monday, did not work on Friday and Saturday, and rested on Monday; that Monday was called blue Monday.

Mr. SCHASCHEPEN. I do not remember having blue Monday where I was working. Of course, there might be some stragglers; you find some in every country.

Senator LODGE. Did you work in the Solingen district?

Mr. SCHASCHEPEN. Yes, sir; I was born there; that is my home country, Solingen.

Senator LODGE. Do you know anything about the apprentices?

Mr. SCHASCHEPEN. The apprentice in Germany generally starts at about 14 years, and probably has to work until he is 19. Apprentices are paid very small wages—about 1 mark 50, up to 4 and 5 marks a day.

Senator SMOOT. Not a day?

Mr. SCHASCHEPEN. A week; starting in with 6 marks a week, up to 20 marks; 20 to 25 marks a week.

Senator HEYBURN. He does not declare any dividend for the first five years?

Mr. SCHASCHEPEN. No, sir; you just about make your board. But in this country you are not allowed to employ boys under 14 years of age. You are permitted by the law to work apprentices only 18 years of age. You are not allowed to put on boys on heavy work.

Senator SMOOT. That is a pretty good law, is it not?

Mr. SCHASCHEPEN. That is a pretty good law. That is a dangerous business, because some of the work is very dusty, and it is a very hard business, hard work.

Senator HEYBURN. Your raw material is bar steel?

Mr. SCHASCHEPEN. Yes, sir; the products come out of bars. We import English steel and hammer it out, and grind it and finish it and make it ready for the market.

Senator HEYBURN. It is handwork from the bar?

Mr. SCHASCHEPEN. Yes, sir; it is about 90 per cent labor and 10 per cent material.

Senator HEYBURN. In the cottages do the women and the children work?

Mr. SCHASCHEPEN. No, sir; no children in our factory.

Senator HEYBURN. Do the women help in the cottages?

Mr. SCHASCHEPEN. Sometimes they do, in packing and cleaning and honing.

The CHAIRMAN. Is that all, Mr. Schaschepen?

Mr. SCHASCHEPEN. Yes, sir.

STATEMENT OF MR. GEORGE H. BAKER, OF GENEVA, N. Y.

MR. BAKER. Mr. Chairman and Senators, I am here at the request of my brother employees of the Geneva Cutlery Co., and am authorized by wire, signed by employees of Little Valley, to appear before you. The telegram is as follows:

LITTLE VALLEY, N. Y., February 21, 1912.

E. B. VREELAND, M. C.,
Washington, D. C.:

We, razor grinders and finishers, authorize George H. Baker to appear before the Senate Finance Committee for our interests.

A. J. MEMMETT,
ARTHUR INMAN,
H. APPLEBEE,
W. FRENZ,
CHAS. KELLY,
W. WIBLE,
M. BAISCH,
W. MINKER,
Committee.

Senator LODGE. Did those who signed the telegram and those whom you represent pay your expenses to come down here?

MR. BAKER. No, sir; my expenses were paid by the Geneva Cutlery Co. Employees' Benevolent Association.

Senator SMOOT. Are you acquainted with the signers of that telegram?

MR. BAKER. Some of them.

Senator SMOOT. Do you know that they work in the Geneva Co.?

MR. BAKER. I know that some work there; yes, sir.

Senator SMOOT. Do you work there yourself?

MR. BAKER. I work in Geneva; yes, sir. You refer to this telegram?

Senator SMOOT. Yes.

MR. BAKER. There are a few men on there I know work there.

MR. HENRY. That is from Little Valley; that is not from Geneva, N. Y.

MR. BAKER. I have a petition here from our brother workmen which, with your permission, I would like to read.

The CHAIRMAN. You may read the substance of the petition. There is no need of reading the names. They can be printed.

MR. BAKER. All right.

MR. Baker thereupon read the following petition, printed in the record in full, as follows:

LITTLE VALLEY, N. Y., February 19, 1912.

To the SENATE FINANCE COMMITTEE.

HONORABLE GENTLEMEN: We, the undersigned, being employed in making razors in this factory, have read the act passed January 30, 1912, by the House of Representatives. Its heading is an act entitled "To provide revenue, to equalize duties, to encourage industries of the United States, and for other purposes."

We find on page 10 that razors, whether assembled but not fully finished, or finished, are to pay a duty of 35 per cent ad valorem. We pray that this law may not be passed, as it would reduce our wages to less than half if we come in competition with German and English razor makers.

The passing of the act by the House of Representatives has had the effect to prevent any razor orders being placed at present, and our working time has been reduced to

one-half, and in some instances less. Therefore we pray that this law may be disposed of as soon as possible and not passed.

Very respectfully,

FAYETTE WILBER.
ARTHUR INMAN.
CHAS. KELLY.
M. L. BAISCH.
FLOYD WINSHIP.
W. B. WIBLE.
W. D. MINK.
W. L. WULF.
WM. C. F. FRENZ.
H. APPLEBEE.
ALBERT J. MEMMOTT.
FRANKLIN HALL.

WM. CARR.
W. J. PICKUP.
B. E. BECKWITH.
JOHN SATTLY.
M. H. LUCE.
J. CARROLL.
M. TIMME.
A. PHILLIPS.
G. BRAINARD.
M. K. HORR.
C. L. HORNING.

Mr. Baker also read the petition printed on page 831.

STATEMENT OF MR. GEORGE M. WRIGHT, OF WORCESTER, MASS., REPRESENTING THE WRIGHT WIRE CO.

The CHAIRMAN. The committee will now hear Mr. George M. Wright, of Worcester, Mass.

Mr. WRIGHT. Mr. Chairman and Senators, the firm I represent has been in business some 25 years, manufacturing an article which, under this bill, is proposed to be put on the free list—an article made of very fine wire, usually called poultry and rabbit fencing.

Senator LODGE. For what is it used?

Mr. WRIGHT. It is used for poultry and rabbit fencing. It is on the free list under fencing and, as we take it, it will be classified as such. There are two styles, a hexagonal mesh and a square mesh. Most of it is made of No. 19 wire, which is the size there [indicating], and No. 20 wire, which is one size smaller. There are some sizes made a little larger.

An amendment should be passed striking out the item "wire fencing" from the free list in the Underwood tariff bill fixing rates on metals and metal products, as well as where it appears in lines 13, 14, and 15, page 6 of House report, under "Articles manufactured wholly or in chief value of any wire," House report on 18642, and that the duty of 40 per cent as fixed under the present tariff law be continued.

We submit:

First. There is a vast difference in labor value between barbed wire, fence wire (in coils), or wire nails on the one hand and woven wire fencing, especially poultry and rabbit netting and fencing, on the other. Nearly all of the latter is woven from No. 14 gauge wire and finer down to and including No. 20 gauge wire.

Barbed wire carries an advance cost of approximately \$8 to \$10 per ton over the cost of the wire rod (raw material for wire) and is made of No. 10 to No. 13 wire, while poultry and rabbit fencing and netting carries an advance cost of from \$60 to \$100 per ton over the cost of the wire rod, and this difference is made up to a larger degree by the extra cost of labor.

Second. By the new tariff all protection upon fencing is swept aside without any attempt to give us partial relief, which would be gained if the raw material from which this goods is manufactured, such as if wire rods and weaving wire were to be placed on the

free list instead of carrying a 10 and 20 per cent ad valorem duty, respectively, as provided in the act. This even would only afford partial relief, as wire constitutes only about 40 to 50 per cent of the cost of the netting, a major portion of the balance being labor.

Third. The placing on the free list of such a highly finished product as poultry and rabbit netting and fencing seems unjust in the extreme.

It is made of wire, in the first place, that costs from 100 to 150 per cent more than the wire rod that it is drawn from. It is then woven on intricate, complicated, and expensive machinery, which costs nearly 50 per cent more than the same machinery costs in England or Germany, and the wages paid here for drawing down, galvanizing, and weaving this wire into netting and fencing are from 80 to 125 per cent more than on the other side.

Fourth. Ample proof is at hand to show that the present 40 per cent tariff on this commodity is insufficient now to cover the difference in cost in United States and England on some few selected sizes, and that at least an average of 35 per cent is required to protect the whole list. But that 35 per cent would not protect more than two-thirds of the sizes used here to-day. This fencing is now selling at the lowest prices ever sold for in the United States. With the growth of the industry both in the United States as well as England have come vast changes and mechanical improvements so that the manufacturers selling price to-day is only 42 per cent of what it was 25 years ago when the industry had its start here, and we were importing all this goods from England.

Fifth. It is a fact due weighty consideration, that the poultry and rabbit netting and fence industry, as built up in England and Germany, has prospered and reached a very high state of perfection, owing to the fact that in addition to their own home markets, they have been offered for 20 years or more immense orders for Australia and New Zealand. Both these Governments, as well as individuals, order annually many hundreds of miles of netting (called rabbit netting) for the protection of orchards, etc., against the hordes of rabbits which infest that country. The effect has been, that owing to this vast volume of export business, the cost of the commodity has been reduced probably much lower relatively than would be the case in many other industries. These goods are put into Australia at a figure that no American manufacturer has ever yet been able to come anywhere near touching.

It is a significant fact that practically no American made poultry and rabbit netting and fencing is exported from the United States for the reason that, notwithstanding we have large, well-equipped factories and good organizations, labor enters into the cost of the commodity to such an extent that it is impossible to get costs down to anything like the English manufacturer with his labor practically one-half of what we pay.

Sixth. The industry in the United States is growing probably at the rate of 10 per cent yearly, owing to the increasing demands. The number of workmen employed in producing this class of fencing from the raw material (the wire rod) varies according to the season of the year, from 3,500 to 5,000 men, producing in the neighborhood of \$5,000,000 worth of goods per year, with an invested capital of more than \$5,000,000. The cost of doing business is greater in the United States than in Europe and necessarily our overhead expenses are

greater than those of foreign manufacturers. We have but one season a year in which to market our goods (namely, from January to May) and necessarily are obliged to provide ourselves with expensive warehouse facilities (the goods being very bulky) to accommodate a nine months' output of goods, while the English and German manufacturer has the advantage of the Australian market with an opposite season to theirs at home, and can therefore run his machines the year around without the large rent, interest, and insurance charges which the American manufacturer can not avoid. This is an item well worth considering, as it probably puts the American manufacturer to a disadvantage equivalent to fully 5 per cent on his costs.

Labor costs here average 80 to 100 per cent greater in all the work, from drawing of a wire rod down to weaving and galvanizing and rolling up the finished netting, than those in England, and we are told that German wages average still lower for the same work. Our cheapest labor is \$7.50 per week, English is \$1.75 to \$2 per week for 13 and 14 year old spooler boys doing same work. Our highest wages are \$22 per week for wire-rod drawers, while the English wage is under \$12 for same work. Other kinds of work in about the same proportion.

Seventh. Finally, it would seem, after careful consideration, that "wire fencing" was placed on the free list in this bill through lack of specific statistics and a thorough knowledge of the full meaning of the term as it applies.

Poultry and rabbit fencing made of No. 14 gauge wire and finer to No. 20 gauge thick is an entirely different product from barbed wire, fence wire, and wire nails, and stands at a cost (based on tonnage) three times as great as the above-named commodities. The labor cost of reducing a wire rod to finished poultry and rabbit fencing is more than one-third of the whole finished cost (wire rods being the raw material for wire and all products made of wire).

A duty of 10 per cent which you place on wire rods in the present bill is equal to about \$2.50 per ton, or equal to about 80 per cent protection for the actual labor involved in the production of that ton of rods from pig and scrap iron. If this same ratio of protection to labor were extended to poultry and rabbit fencing, then the present 40 per cent duty would have to be retained on these goods. We respectfully submit that it would be most unjust to place a commodity averaging to cost \$100 per ton on the free list, the make-up of its cost averaging about 47 per cent material, 35 per cent American labor, and 18 per cent overhead and general expenses, while you retain a duty upon the raw material entering into that commodity of 10 per cent on the wire rod and 20 per cent on the wire. We, therefore, respectfully appeal to you for the passage of an amendment to correct this error in both Houses of Congress which will eliminate "wire fencing," or such wire fencing as is made of No. 14 wire, and finer gauges usually used for fencing poultry, rabbits, and other small animals, from the free list. We recommend that poultry and rabbit fencing be classified by itself as a fence fabric with meshes, not smaller than one-half inch, manufactured from steel or iron wire No. 14 gauge (0.80 inch diameter) and smaller, either plain or coated by any material, and that the present ad valorem duty of 40 per cent covering this commodity be retained. We ask for no protection for our brains, energy, or our business ability, or lack of them, but are willing and

ready to have all the conditions of our industry impartially and scientifically investigated in order that an equitable minimum tariff rate may be arrived at for the purpose of equalizing the just economic differences in cost here and abroad where our commodity is manufactured in competition with us.

**STATEMENT OF MR. OLNEY ARNOLD, OF PROVIDENCE, R. I.,
REPRESENTING THE ROGERS SCREW CO.**

Mr. ARNOLD. Mr. Chairman, I represent the Rogers Screw Co., of Providence, R. I. There are some 25 wood-screw plants in the United States—two or three perhaps are idle because of the extremely low selling prices and two at least are preparing to start for the first time, apparently being under the impression that the demand exceeds the supply of this commodity when the fact is that about 50 per cent more screws can be produced than can be consumed by the domestic trade in this country. It is estimated that from about thirty or thirty-two million gross represents the present domestic consumptive demand and the chart attached hereto—showing the average net selling price to the maker of the average size flathead iron or steel wood screw, during the past 71 years—is with the context, almost self explanatory. If there is an absolutely staple manufactured article, one not deteriorating through age or fashion, it would seem to be a common flathead wood screw for such a screw made in the year 1848—at the time of the reintroduction of gimlet-pointed screws, is as usable to-day as a similar screw made yesterday. A wood screw is an extremely highly organized product in that it is of necessity produced on very expensive machinery and is subject to some 18 to 24 handlings—depending upon whether rods or wire are employed as the screw makers' raw material—and the finished article is sold at an exceedingly low price.

Several thousand workers are employed in the manufacture of wood screws in this country and it would seem unfair for the Congress to discriminate against the industry in the passage of any such measure as the bill under discussion (H. R. 18642), whereby schedule 38 contemplates an ad valorem duty of but 25 per cent, while the raw material, wire, is taxed in the same measure, schedule 13, 20 per cent, netting a protective duty on screws of something less than 20 per cent, which latter is the lowest rate on screws that has ever been put into a tariff bill, so far as we can learn.

We therefore respectfully protest against the passage of the measure and would suggest that the present specific rates be retained, since there is the danger of wiping out the industry in the United States unless suitable specific duties are retained, as the German screw makers have an undeniably low cost of manufacture as shown by the prices at which they sell their product in foreign markets, and if specific rates of duty are to be abandoned the screw makers of the United States are fairly entitled to either free raw material with at least 35 per cent ad valorem duty, or if a duty on their raw material—wire—be retained, then the screw makers are entitled to a compensatory duty. In other words, the screw industry in the final tariff analysis should be treated as fairly as other highly organized industries where, for example, raw cotton and silk are permitted to come into this country free of duty, while, as it is understood, the

disposition of the Congress is not to cripple or destroy any legitimate industry.

I have also, Mr. Chairman, a diagram showing the prices of wood screws from the year 1840 to 1911, made up under the steel makers' practice, and as it is more or less authoritative, I think it would be interesting if you cared to have it go in.

The CHAIRMAN. The chart will be inserted. It may not be possible to insert it in the first print of this testimony.

Mr. ARNOLD. I mean ultimately.

The CHAIRMAN. It will be put in the second and final edition.

Mr. ARNOLD. That is all, Mr. Chairman, unless you wish to ask some questions.

The CHAIRMAN. If there are no questions of Mr. Arnold, the committee will stand adjourned until half past 10 to-morrow morning.

Thereupon, at 5.40 o'clock p. m., the committee adjourned until to-morrow, Saturday, February 24, 1912, at 10.30 o'clock a. m.

APPENDIX.

REPORT ON RELATIVE COST OF PRODUCTION OF WATCH MOVEMENTS IN AMERICA AND EUROPEAN COUNTRIES.

RELATIVE MATERIAL COST—RELATIVE LABOR COST—RELATIVE CAPITAL INVESTMENT NECESSARY—RELATIVE FIXED CHARGES AND OVERHEAD EXPENSES—INDUSTRIAL AND TRADE CONDITIONS AND LABOR EFFICIENCY.

[By Roscoe C. McCulloch, counsel for American Watch Manufacturers.]

We submit the following information in regard to the watch industry and in regard to the various items entering into the cost of production of watch movements in America, together with all the information which has been obtainable in regard to the cost of production of watch movements in those countries of Europe where the watch industry is carried on, namely: Switzerland, England, France, Germany, and Italy.

We are moved to submit this report at this time for the following reasons, among others:

First. Because we believe that the closest possible investigation can not but reveal the fact that the watch industry in this country can not survive without a reasonable amount of protection, due to the low cost of production abroad.

Second. Because of discoveries which have been recently made of methods employed by watch importers and foreign watch manufacturers, and their agents in this country, by which the tariff on the lower grades of watch movements is being evaded, with the result that the statistics compiled by the Department of Commerce and Labor show a falling off of the importations of the lower grades of watch movements, when, as a matter of fact, the country is being flooded with them, and the stamping provisions of the act of 1909, enacted for the purpose of preventing undervaluations and frauds of the most flagrant sort, are being also evaded.

In order that a clearer understanding may be had of classifications, technical names and terms, also of the general methods of manufacturing watch movements, perhaps the following introductory remarks will be found helpful:

The history of the production of watch movements in America is replete with failures and financial losses incurred by those who had the temerity to enter this field of endeavor, due to competition from abroad. From 1850 to the present day watch factory after watch factory has been started, only to meet with failure, and thousands upon thousands of dollars have been spent in unsuccessful attempts to develop the industry here, so that to-day there are only about 12 watch factories in operation in this country.

CLASSIFICATIONS.

Watch movements have been classified for tariff purposes in the past as follows: Having not more than 7 jewels; having more than 7 jewels and not more than 11 jewels; having more than 11 jewels and not more than 15 jewels; having more than 15 jewels and not more than 17 jewels; having more than 17 jewels.

Seventeen-jewel movements are made unadjusted, adjusted to temperature, adjusted to three positions, and adjusted to five positions. All movements containing over 17 jewels are perhaps universally adjusted, being adjusted to temperature and to position; while movements containing less than 17 jewels are known as the lower grade movements, and are seldom adjusted. In order to make the classification of watch movements complete, therefore, 17-jewel movements should be classified as follows: Seventeen jewels, unadjusted; 17 jewels, adjusted to temperature; 17 jewels, adjusted to three positions; 17 jewels, adjusted to five positions.

All movements stamped "adjusted" should be required to run within the limits of error common within the United States, viz, for temperature, 2 seconds in 24 hours; for positions, 10 seconds in 24 hours, these 10 seconds being the algebraic difference between the deviations from mean time in the two positions in which the watch runs fastest and slowest, considering as positive and negative quantities, respectively, the amount by which the time as indicated by the watch exceeds or falls short of the time indicated by the standard timepiece with which it is compared.

A 17-jewel movement adjusted to temperature and five positions will cost to produce and will sell for more than three times what a 17-jewel movement unadjusted will cost to produce and will sell for, so it is apparent that a classification of 17-jewel movements as above outlined would remedy a serious defect in the present law. The difference in the cost of production is due almost solely to the cost of labor in adjusting the movement. Under the Dingley Act, as well as the act of 1909, an unadjusted 17-jewel movement is brought in under the same rate of duty as a 17-jewel movement adjusted to temperature and five positions, no account being taken of the adjustments which are so potent in determining the value of these watches. The provisions of the act of 1909 requiring the foreign manufacturer to stamp upon the plate of each movement the number of jewels and adjustments the movement contains should have the effect of partially curing this defect in the law, and would materially assist the appraisers in determining the value of such movements under the ad valorem provisions of the act, if it were not for the subterfuge hereinafter mentioned (see page 33), whereby importers are now bringing in dismantled movements as watch material and reassembling them in this country, thus evading the stamping requirement.

The following classification could be considered complete for all practical purposes, and would cover every kind and grade of watch movement manufactured: Having not more than 7 jewels; having more than 7 jewels and not more than 11 jewels; having more than 11 jewels and not more than 15 jewels; having more than 15 jewels and not more than 17 jewels, unadjusted; having 17 jewels, adjusted to temperature; having 17 jewels, adjusted to three positions; having 17 jewels, adjusted to five positions; having more than 17 jewels.

All movements stamped "adjusted" must run within the following limits of error: For temperature, 2 seconds in 24 hours; for positions, 10 seconds in 24 hours.

It will be observed from the foregoing that watch movements are capable of a very simple, and at the same time complete classification, because the grade of all watch movements, and their approximate value, is determined by the number of jewels each watch movement contains, together with the number of adjustments.

We urged before the committees of Congress in 1908 and 1909 that, in view of the simple classification above outlined, and in view of the evidence submitted of cases of flagrant undervaluations, the ad valorem duties provided in the Dingley law on all grades of watch movements should be dropped, and a straight specific duty should be provided on all grades. This suggestion was adopted as applied to the lower grades of watch movements, but the old combination specific and ad valorem duty was retained on the higher grades, where the temptation to undervalue the movement is so much greater.

Before taking up the various items entering into the cost of production of American and foreign made watch movements in detail, it might be well, in order that a proper idea may be conveyed as to the infinite number of delicate and painstaking processes required in producing a complete watch movement, to set out here a brief outline of those processes.

OUTLINE OF PROCESSES OF MANUFACTURE.

The operations necessary in manufacturing watches are too numerous to give in detail, but the following will give a fair idea of the general routine of the work:

The first is the design or drawings of the watch to be produced. These drawings are usually made from 10 to 40 times as large as the parts of the watch represented, on account of the parts being too small to admit of being drawn to the exact size. One hundred and fifty, or more, drawings are necessary, as a diagram giving the dimensions of each part is required. Copies of the drawings are given to an expert mechanic or model maker, who makes a model and master plate from which to construct the tools.

These tools are made as accurately as human skill can make them, for on the accuracy of the tools, as well as on the skill of the workman, depends the quality of the watch.

The nickel plates, which have superseded the brass formerly used, and the copper which forms the base of the dial, are melted, run into bars, and rolled to the required thickness in one of the departments of the factory. The gold wire used in making screws for the balance is also drawn in this department.

The plates, bridges, and other parts are punched from the rolled strips, and recessed, drilled, tapped, flattened, etc., in another department, automatic machinery being used for many of these operations. After the plates or frame of the watch have been fitted and numbered, they are taken to the motion department, where the winding pinions, barrels, centers, minute and hour wheels are fitted. Each flat piece of metal is punched from a strip of metal of such thickness as to allow of finishing with the least possible loss in scrap, and the dies are of an exceptionally fine quality, many of the parts being punched with less than a ten-thousandth of an inch variation in size. After being punched out of the stock, the wheels are again put in a die, and the edges of the arms are shaved to give them a finished appearance. The thickness of the metal removed in this operation is one-thousandth of an inch. The pinions are roughly turned from steel rods of fine quality, pointed or centered to allow of further turnings, and turned to a size which allows of polishing after being hardened.

The scriffs, of which about 50 are required, in a high grade watch are made from steel rods by automatic machines, which form them, cut the threads, and slot the heads before letting go of them. After being tempered, the heads are polished in machines made expressly for this purpose.

The jewels in which the pivots of the pinions, arbors, and staffs revolve are made of garnet, ruby, and sapphire, and are drilled with steel wires charged with crushed diamond. Afterwards they are polished with a piece of pegwood and diamond powder of various grades. These jewels are all gauged accurately to size, both in thickness and diameter, each jewel being inspected thoroughly before it is placed in a watch. The cups of the jewel settings are highly polished by means of sapphire cutters, and this operation is known as stripping.

The dial, which is made of copper and enamel, is first punched from a strip of the copper, and after passing through the several operations of having the feet brazed one by which the dial is held on the watch, and acidizing to clean the surface of the copper, the channel is placed on the copper, and is then fired in a furnace heated by gas to a degree that will melt the enamel. After a thorough inspection, the figures are printed on the enamel, a paint being used which is also fired in a furnace to give the figures a lasting gloss. Cutting out the sections for the center and second bits is called "sinking," and is done by means of thin copper tubes and emery, which cut through the enamel until the copper tube touches the copper plate. The copper is then burned through with acid, after which the center and second bits are fitted and soldered in place.

Embellishing the patterns on the plates of a watch is known as damascening, and is done by means of a machine carrying a spindle which runs at a speed of from 5,000 to 10,000 revolutions per minute. Attached to this spindle is a piece of ivory, bone, or other similar substance, which, together with an abrasive powder, is pressed against the plate as it follows a template made to produce the pattern required. The plates having the names and numbers gilded are first plated with gold and damascened. This removes all of the gold except that in the letters and depressions, which have been filled with a preparation to protect them from the action of the plating solutions. A plate of pure nickel is deposited over the damascening to keep the plates from becoming corroded or tarnished, after which the preparation with which the letters are filled is removed and the plates are thoroughly washed.

The escapement is constructed to transmit the power of the mainspring to the balance intermittently as the balance vibrates forward and backward. At each vibration the wheels stop and start as the teeth of the escape wheel drop on the pallet stones, which, like the other jewels, are made of garnet, ruby, and sapphire, according to the grade of the watch, and ground to size in machines adapted to the work. On account of the hardness of the stones, crushed diamond embedded in copper laps or plates is used to grind them.

The escape wheels, which are made of brass or steel, have 15 teeth of angular form, cut in machines designed for the purpose. The brass wheels require 7 cutters of different shape, made of sapphire and steel for the various cuts. The steel wheels are cut with 7 steel cutters, but after being hardened are ground to the required size and form. Five surfaces on each tooth require grinding, making 75 surfaces which must be ground. Metal and boxwood wheels, charged with diamond, are used for grinding and polishing these surfaces.

The balance, which, together with the hairspring and escapement, operates to control the mechanism and produce perfect time, is made of two metals, brass and steel. A disk of the latter and a ring of the former are held in their respective positions by a copper ring or capsule in which is placed brazing flux to facilitate brazing the brass and steel together. The copper is turned off, and the brass which surrounds the steel is rolled to the required hardness. Holes are drilled and tapped to receive screws with which to time the watch. The brass and steel rim is cut through near the end of the arm on opposite sides to allow for expansion and contraction.

The variation of the length of the hairspring in different temperatures is compensated for by the variation in the size of the balance in these temperatures. As brass expands more than steel in heat, and as the brass in the rim is thicker than the steel, the rise in temperature, which causes the hairspring to become longer and weaker, also causes the end of the balance rim, which is cut off, to contract toward the center of the balance. The reverse action takes place when the temperature is lowered.

After all the parts are completed they are assembled in the finishing department, where all inaccuracies are detected and made right before the watches receive their final adjustment.

The terms "adjusted to temperature," "position," etc., indicate that fully adjusted watches are run for a number of hours (usually 24) in a specially constructed box, having an automatic regulator which keeps the temperature at 102° to 104° F. After taking note of the run in heat they are placed in a box kept at a temperature of 34° F. and another run of 24 hours is made.

If these extremes show a variation of more than 2 seconds, a change is made in the position of the screws of the balance, which usually corrects the error. If not, the screws are changed and the watches run until they are brought within the required limit. The watches are run in five different positions, as follows: Dial or face up, dial down, pendant up, pendant left, and pendant right, which are all the positions in which the watches are likely to run. Each position requires a run of 24 hours, and if after 5 days the watches show a variation of over 10 seconds changes are made which will bring them within the required limit. Sometimes three months are required to accomplish this result.

Summarizing, we find that in this extremely delicate piece of mechanism there are about 600 teeth in the wheels and leaves in the pinions. The balance pivots are about 0.12 millimeter, or 0.0048 inch, in diameter. The balance vibrates at the rate of 18,000 beats per hour, or 432,000 times daily, making 157,680,000 vibrations in one year.

The amount of oil required to lubricate the various parts is approximately one-tenth of a drop, and it has been estimated that one one-hundredth of a drop is all that is required for the balance pivots.

Probably no piece of machinery having its motive power within its frame and of which so much is required receives as little attention in the matter of being kept properly cleaned and oiled as a watch. What engineer would think of oiling his engine and then running it for one year without stopping and without further oiling? Yet this is not an unusual treatment for a watch, and, strange to say, the construction has been so perfected as to make it possible to maintain and repeat this performance for many years without material injury to its intricate mechanism.

The American manufacturers of watch movements manufacture 7, 11, 15, 17, 19, 21, and 23 jewel movements. There are, however, very few 11-jewel movements manufactured.

It is estimated that the number of movements of the various grades manufactured in America are about as follows: Seven jewels and under, from 45 to 50 per cent of the whole; over 7 to 11 jewels, perhaps not more than 1 per cent of the whole; over 11 to 15 jewels, from 25 to 30 per cent of the whole; over 15 to 17 jewels, perhaps 20 per cent of the whole; over 17 jewels, perhaps 5 to 10 per cent of the whole.

These figures are based on reports from manufacturers making a complete line of watch movements and do not include reports from manufacturers of low-grade movements exclusively. If the production of these companies were averaged, the percentage of low-grade movements would be, perhaps, very materially increased. It would be safe to say that the total of the 7-jewel movements will amount to over 50 per cent of the whole number of movements manufactured in America.

COST OF PRODUCTION.

It is not a simple matter, with the information at hand, to make an intelligent and accurate comparison of the relative costs of production of watch movements in America and in European countries. In considering the cost of production of watch movements the following elements should be taken into consideration: (1) Relative cost of material, (2) relative cost of labor, (3) relative amount of capital investment

necessary, (4) relative fixed charges and overhead expenses, (5) industrial and trade conditions and relative labor efficiency, subdivided for convenience as follows:

(1) Materials: (a) Materials used in the construction of the movement itself. (b) Materials used in the process of manufacturing the movement, but not in the movement itself.

(2) Labor: (a) Wages paid the producing help: Adjusting, machine, mainsprings, train making, dial making, jewel making and setting, etc. (b) Wages paid the non-producing help: Superintendent and foreman, engineers, office help, day labor, etc.

(3) Capital: (a) Plant: Land, buildings, machinery and tools. (b) Working capital: For carrying merchandise and stock; for carrying accounts and credits.

(4) Fixed charges and overhead expenses: (1) Taxes; (2) insurance; (3) interest; (4) repairs.

(5) Industrial and trade conditions and relative labor efficiency:

(1) Materials.—(a) Materials used in the construction of the watch itself:

Names of parts and materials used in the construction of the watch movement itself.	Material.
Pillar plate: The plate to which all of the other plates are attached.....	Nickel.
Barrel bridge: The plate which supports the upper end of the barrel arbor, and in some watches the center and third pinions.	Do.
Train bridge: The plate which supports the upper ends of the fourth and escape pinions, and in some watches the third pinion.	Do.
Pallet bridge: The plate which supports the upper end of the pallet arbor.....	Do.
Balance cock: The plate which supports the upper end of the balance staff.....	Do.
Dial: The graduated plate or face of a watch. Usually made of copper, enamel, spelter, solder, and fusible pigments.	
Hands: The indicators by which time is shown.....	Steel, gold.
Mainspring: The spring which furnishes the motive power of a watch.....	Steel.
Barrel: The wheel which transmits the power from the mainspring to the center pinion.	Nickel.
Barrel head: The plate which incloses the mainspring in the barrel and serves as a bearing to support the barrel on the arbor.	Do.
Barrel arbor: The staff or bearing on which the barrel revolves, and which usually serves as a medium with which to wind the mainspring.	Steel.
Center staff: The arbor on which are carried the center wheel, center or safety pinion, and cannon pinion.	Do.
Center wheel: The wheel which transmits power and motion to the third pinion.....	Brass.
Center pinion or safety pinion: A device which automatically relieves the strain on the teeth of the barrel in the event of the mainspring breaking.	Steel.
Cannon pinion: An elongated tubular pinion attached to the center staff and adapted to carry the minute hand and form a bearing and support for the hour wheel.	Do.
Third pinion: The staff and pinion to which the third wheel is attached.....	Do.
Third wheel: The wheel which transmits power to the fourth pinion.....	Brass.
Fourth pinion: The one on which the second hand is mounted, and to which is attached the fourth wheel.	Steel.
Fourth wheel: The wheel engaging the escape pinion and which transmits power thereto.	Brass.
Escape pinion: The pinion on which the escape wheel is mounted.....	Steel.
Escape wheel: A wheel with angular teeth, and which intermittently engages with the pallet stones to transmit the impulse to the balance through the fork and roller.	Steel-brass.
Pallet arbor: The arbor on which the pallet and fork are mounted.....	Steel.
Pallet and fork: That part of the mechanism through which the balance receives its impulse from the escape wheel.	Do.
Balance: A wheel having screws in its rim, which may be moved to facilitate timing and adjusting. It is usually made of two metals, and regulates the motion of the train.	Gold screws; brass-steel.
Balance staff: The one to which the balance, rollers, and hairspring are attached, and on which the balance vibrates.	Steel.
Table roller: A plate carrying the jewel pin.....	Do.
Safety roller: A small wheel with a crescent-shaped notch in one side, which forms a factor of safety in the event of the watch receiving a sudden jar.	Do.
Hairspring: The spring which assists the balance on its return after the impulse received from the fork has subsided.	Do.
Hairspring stud: The device by which the hairspring is attached to the balance cock.	Do.
Hairspring collet: The part by which the hairspring is attached to the balance staff.	Brass.
Guard pin: A pin which prevents the pallet from leaving the escape wheel when the hands are turned backward.	Do.
Dart or guard point: A piece of metal attached to the fork and adapted to pass freely through the crescent in the safety roller and which performs the same function as the guard pin. This is used only in the double roller escapement.	Steel-brass.
Regulator: An arm or lever carrying the curb pins by which a watch may be regulated.	Steel.
Regulator spring: A part which holds the regulator in its position.....	Do.
Star wheel and pinion: A device for operating the regulator.....	Do.
Regulator pins: The pins in the regulator which curb the hairspring.....	Brass.
Hour wheel: A wheel having a hollow hub which fits around the cannon pinion and carries the hour hand.	Do.
Minute wheel and pinion: A wheel with which the cannon pinion engages the pinion engaging the hour wheel.	Do.
Winding pinion: A pinion which engages the winding key of a watchcase and the winding wheel.	Steel.
Winding wheel: The wheel which engages the winding pinion and intermediate winding and setting wheels.	Do.

Names of parts and materials used in the construction of the watch movement itself.	Material.
Intermediate winding wheel: The wheel which engages the winding and ratchet wheels when winding a watch.	Steel.
Ratchet wheel: The wheel attached to the barrel arbor for the purpose of winding the mainspring and holding it by means of a pawl or click.	Do.
Setting wheel: The wheel which engages the winding and minute wheels when setting the hands.	Brass.
Yoke: A vibrating arm laying over the winding wheel and carrying the intermediate winding and setting wheels.	Steel.
Hubs: The bearing on which the yoke vibrates.	Do.
Yoke spring: The spring which vibrates the yoke when winding.	Do.
Shipper: The lever which holds the yoke in position when setting the hands.	Do.
Click: The pawl which holds the ratchet.	Do.
Click spring: The spring which holds the click in engagement with the ratchet.	Do.
Jewels:	
Barrel jewels.	Sapphire.
Center jewels.	Do.
Bar holes: The jewels in which the pivots of the pinions revolve.	Ruby-garnet.
Cock and foot jewels: The jewels which form a bearing for the balance pivots and sometimes the escape pinion and pallet arbor pivots.	Ruby.
End stones: The cap or jewel on which the pivots of the balance staff revolve.	Ruby-sapphire.
Roller jewels: The jewel pin which is set in the table roller and engages the fork at each vibration of the balance.	Do.
Pallet stones: The angular jewels which engage the escape-wheel teeth and give impulse to the balance.	Garnet-ruby-sapphire.
Jewel settings: The parts in which the jewels are held in the plates.	Gold composition, brass.
Screws:	
Balance screws.	Gold-brass.
Meantime screws.	Do.
Banking screws.	Brass.
Bridge and cock screws.	Steel.
Case screws.	Do.
Click spring screws.	Do.
Dial foot screws.	Do.
Hairspring stud screw.	Do.
Hub screw.	Do.
Jewel screw.	Do.
Regulator screw.	Do.
Shipper screw.	Do.
Shipper spring screw.	Do.
Yoke-spring screw.	Do.

The most of the American manufacturers import a large proportion of the raw materials used in the construction of the average watch movement itself.

Most of the jewels used in the manufacture of watch movements in the United States are imported. The jewels used in the construction of a movement amount in many cases to about 50 per cent of the material cost. Under the act of 1909 the American manufacturer pays a duty of 10 per cent ad valorem on jewels.

Most American manufacturers of watch movements import their mainsprings, hairsprings, and hands, and pay a duty of 40 per cent ad valorem on them. Some import their balance wheels.

Many manufacturers, especially of the lower grades, import their dials and pay a duty of 3 cents per dial and 40 per cent ad valorem on them.

We have no data on which to make a comparison of the relative cost of the other materials used in making a watch movement itself, hereinbefore enumerated.

(b) Materials used in the process of manufacturing the movement, but not in the movement itself:

Grain alcohol.	Chamois buffs.	White Spanish felt.
Denatured alcohol.	Benzine.	Brazing flux.
Wood alcohol.	Stale bread.	Filter paper.
Nitric acid.	Bisulphite soda.	Cotton flannel.
Sulphuric acid.	Cocoa butter.	Gum arabic.
Muriatic acid.	Charcoal.	Glycerine.
Ammonia.	Caustic potash.	Steel glossing.
Alkali.	Carborundum wheels.	Ivory.
Arkansas oilstones.	Diamond powder.	Jeweler's cleanser.
Alundum wheels.	Diamond bortz.	Tin laps.
Nicel anodes.	Emery.	Lump lime.
Beeswax.	Emery stones.	Powdered lime.
Beads.	Emery wheels.	Lye.
Boxwood.	Emery cloth.	Marble dust.
Bolting cloth.	Emery paper.	Thyme oil.
Buckskin.	Emery sticks.	Malaga.

Olive oil.
Sperm oil.
Carbon oil.
Belmontyle oil.
Lavender oil.
Pegwood.
Corn pith.
Elder pith.
Plaster paris.
Metal polish.

Rosin.
Rubber dam.
Rouge.
Scotch stoning blocks.
Scotch stones.
White soap.
Yellow soap.
Solder.
Shellac.

Nickel salts.
Rock salt.
Turpentine.
Tripoli.
Gum tragacanth.
Fig tin.
Blue vitriol.
Walrus wheels.
Borax.

There are many other materials used indirectly in the process of manufacturing.

The American manufacturer must import the diamond powder and diamond bortz used in polishing, which is no small item.

(2) *Labor*.—A report from one American watch manufacturer shows the following percentages of labor cost and material cost in the various grades of watch movements manufactured by his company:

"Of the combined labor and material cost in manufacturing watches, 7-jewel grades average 12.67 per cent material and 87.33 per cent labor; 15-jewel grades average 13.79 per cent material and 86.21 per cent labor; 17-jewel grades average 15.86 per cent material and 84.14 per cent labor; grades above 17 jewels average 19 per cent material and 81 per cent labor.

"The principal reasons for the difference between the cost of labor in the high and low grades are that more parts are required in the high grades than is necessary in the low grades; a better quality of finish is given to the wheels, pinions, plates, balances, etc.; and where 10 days or 2 weeks may be given to timing a low-grade watch, from 6 weeks to 3 months are required for adjusting high-grade movements to temperature, isochronism, and 5 positions, which is required on fully adjusted 17, 19, 21, and 23 jeweled watches. In fact, 7-jeweled watches are put through the factory in about 6 to 10 months, while it takes from 1 year to 18 months to complete the best grades."

(a) *Wages paid the producing help in American watch factories:*

The Elgin National Watch Co., Elgin, Ill., on December 15, 1908, made the following report as to wages paid in its factory, which is one of the largest in America:

"Skilled labor (men), \$4.19, average wages per day; males (entire force), \$3.06, average wages per day; females (entire force), \$1.65, average wages per day; total (entire force), \$2.40, average wages per day.

"This does not include salaries to superintendents, foremen, or employees of executive offices."

The Waltham Watch Co., of Waltham, Mass., on December 12, 1908, made the following report as to wages paid in its factory, which is one of the largest in America:

"We will say that our pay roll for November, not including officers' salaries, amounted to \$174,933.87. This amount, distributed among our employees, numbering 3,739, including males and females, gives an average of \$46.78 each for the month, which, owing to holidays in connection with Thanksgiving and weekly half holidays, amounted to only 200 hours, making an average of \$0.239 per hour. Dissecting this general average, in order to distinguish certain prominent groups of workers, which may be compared with similar lines of work in European countries, we may take the following for examples:

Departments.	Total employed.	Number of males.	Daily average wage.	Number of females.	Daily average wage.
Adjusting.....	245	159	\$3.75	86	\$1.59
Machine.....	199	197	3.17	2	1.77
Mainspring.....	86	42	2.87	44	1.50
Train making.....	313	91	3.04	222	1.46
Dial making.....	129	71	3.19	58	1.50
Jewel making and setting.....	187	67	3.40	120	1.34
Average.....			3.24		1.62

"We find the average for these six groups, selected for the purpose of intelligent comparison, to be almost identical with the grand average of the total factory wages as will be seen."

The Hampden Watch Co., of Canton, Ohio, on December 10, 1908, made the following report as to wages paid in its factory:

"Taking a basis of 60 hours per week, the men average \$18.93, the women \$8.07, and the boys \$5.19 per week."

The Illinois Watch Co., of Springfield, Ill., on December 11, 1908, made the following report as to wages paid in its factory:

"I can not, at the present time, send you the average wages paid to men, women, and boys in our factory, but the average wage per employee for the years 1905, 1906, and 1907 was \$2.18 per day. The wages in 1905 average \$2.13; 1906, \$2.20; 1907, \$2.21."

The E. Howard Watch Co., of Waltham, Mass., on December 29, 1908, made the following report as to wages paid to workmen in its factory:

"We have employed in our factory 285 operatives, embracing both skilled and unskilled labor.

Skilled workmen, average per day.....	\$4. 50
Unskilled workmen, including girls operating automatic machines, etc., average per day.....	2. 75
All others, including boys and girls, average per day.....	1. 24
Total average of all classes, per day.....	2. 80

The New York Standard Watch Co., of Jersey City, N. J., on December 21, 1908, made the following report as to wages paid in its factory:

"We beg to give you below the following figures taken from our books for the year 1907, that being the last calendar year for which we can give you complete figures. The year 1908 will not show any material change:

Average daily number of employees for the year 1907.....	716
Average paid per day for skilled operatives for the year 1907.....	\$3. 13
Average paid per day for unskilled workmen for the year 1907.....	\$2. 07
Average paid per day for women and boys for the year 1907.....	\$1. 48

Wages paid in European countries.—We submit the following information and statistics, from special reports at hand, as to wages paid in watch factories in Switzerland, Germany, France, Italy, and England:

[Extracts from Guide for the Swiss Home-Work Exhibition, 1909, compiled by Jakob Lorenz, general secretary Swiss Home-Work Exhibition.]

Average woman's pay in factory:

Polishing.....	francs.. 2 to 3½
Setting jewels.....	do.... 3 to 4
Finishing cases.....	do.... 2 to 3½
Drilling jewels.....	do.... 2 to 3

Ten hours in factory. Home workers must work 12 hours; wages 25 to 30 per cent less.

Wages in Switzerland, 1908.—Swiss unions demand, and the workers get: Average day pay for women, 4 francs. Average pay for men was fixed at 5 francs. The better men make at piecework 6 francs.

The piece prices for women and men have to be arranged so that the average pay amounts to these figures.

In the German part of Switzerland wages are less than these figures.

The usual custom is 10 hours per day, 6 days per week.

In Switzerland, women and men who are at the same kind of work get same piece prices.

Wages in Northern Italy, 1908 (as far south as Tuscany).—(In this territory are made many watch jewels.) Many kinds of industries, silks, straw hats, etc.

Women earn 15 to 30 cents per day, usually for 11 or 12 hours' work. Most jewel makers work 11 hours.

Wages in Southern Italy, 1908.—Wages are less, and working hours are the longest.

In Italy men who work at same kinds of work are paid prices a little more than women, and do considerably more work, but their earnings are not above half more than women.

Wages in England, 1908.—Five years ago women earned 12s. per week. Women now earn a minimum of 16s., and maximum 18s. to 25s. per week.

In one shop, jewel making, 25 girls, half earn 10 and above £1 per week; half earn 16s. to 20s. per week; beginners start at 9s. per week.

Trade-union rate for men is 8d. (16 cents) per hour for skilled men in all general trades. Hours, 9½ per day, 52½ per week. Fifty-two and one-half hours at 8d., 35s. (\$3.75) per week. Saturday p. m., no work no pay. Overtime is 1½ to 1½ time; double time for holidays.

In watch business, which is a low business, men earn 28s. (\$7) per week. In England men get about half more than women for doing same kind of work.

"The report of Special Agent A. B. Butman, which appears on page 1 in the Daily Consular and Trade Report of February 11, 1907, published by the Department of Commerce and Labor, Bureau of Manufactures, wherein he states that wages in the watch industry in Switzerland vary from 2.50 francs (50 cents) per day to 10 francs (\$2) per day, the latter being for adjusters."

It is well known that the adjusters receive much higher wages than anyone else in this industry, and in American factories there are adjusters who are paid as high as \$6 per day.

Another thing which should be taken into consideration in this comparison is that the American wages are based on 10 hours per day, whereas in Switzerland the wages are based on 11 hours per day.

One of the largest American watch factories, on September 22, 1911, made the following report:

"We have authentic information as to the price of labor and cost of living in Switzerland from one of our own men who has recently returned from Europe, where he worked at his trade, that of a skilled watchmaker, for over a year. He says that \$2.50 a day is extraordinary pay for watchmakers in Switzerland, and that \$1.75 per day is, if anything, a little more than the average. The men are as fast as Americans of the same class and have a broader knowledge of the business, or, at any rate, perform a wider range of operations. The Americans of the same class receive as wages from \$3.75 to \$4.50 per day. The American workman throws away a defective piece and replaces it with a new one. The Swiss workman removes the defect and uses the piece. Of course, the reason for this, to a large extent, is that in the United States the cost of the piece is trivial in comparison with the workman's time, while the reverse is true in Switzerland."

In Alfred T. Story's work on *Swiss Life in Town and Country* we find the following as to wages paid watch workers in Switzerland:

"The work is very much subdivided, each man usually confining his attention to one piece of the machinery. Those who prepare the simpler parts will earn from 2½ francs a day upward, while those who do the adjusting, finishing, and engraving, etc., make as much as 10 francs a day."

Adjusters, as hereinbefore stated, earn in America as high as \$6 a day.

Another manufacturer reports as follows:

"A representative who spent some months in Switzerland in 1903 among manufacturers of watches and of watch material in that country reported at the time that workmen were receiving from 3.50 to 6 francs per day, which is equal to 70 cents to \$1.20; that women, boys, and girls were receiving from 2 francs to 3.50 francs per day, which is equal to 40 cents to 70 cents."

Summary of data taken from Bureau of Labor report.—"Official statistics relating to wages in the United States and Europe are contained in Bulletin No. 54 (September, 1904) of the Bureau of Labor, and while they do not include the watch industry, it might fairly be assumed that European workmen receive the same percentage of American wages in the watch industry as they do in the industries covered by the above-mentioned statistics, for, as stated on page 1126 of the bulletin, 'while the figures presented should be considered as relating to the particular occupations covered, it is, nevertheless, safe to say that they are at least indicative of the general course of wages in all occupations and industries.'

"Referring to the table on page 1125 of the bulletin, if we average the percentage of American wages paid in Germany and France (countries in which the watch industry is carried on, and immediately surrounding Switzerland, its principal seat) in the 13 leading occupations, we find that in 1903 (the latest year covered by the statistics) the wages paid per hour in those countries were only 37½ per cent of those paid in the United States.

"It is stated on page 1124 of the bulletin that 'the wages for each foreign country were collected in two or three of the large centers of industry,' where wages are presumably highest. Now, the watch industry in Europe is carried on mostly in rural communities, while the contrary is true in this country; so it is quite possible that the average wages per hour paid in the watch industry abroad are even less than 37½ per cent of those paid in the United States."

COMPARISONS.

The following table will serve to show the average wages in England, Switzerland, and Italy, as compared with wages paid by the Waltham Watch Co. for similar work:

	Weekly.				Daily.					
	England.		Switzerland.		North Italy.		South Italy.		Waltham.	
	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.
Minimum per week..	29/ \$7.00	16/ \$4.00	5 francs. \$1.00	.....	.....	15 c.	(1)	(1)	.....	.....
Maximum per week..	35/ \$8.75	18 to 25/ \$4.50	6 francs. \$1.20	4 francs. 80 c.	.....	30 c.	(2)	(2)	\$3.24	\$1.52
Or, reduced to a uniform basis of daily wage in United States money:										
Average per day.	\$1.31	85 c.	\$1.10	80 c.	33 c.	22½ c.	.....	.....	3.24	1.52

¹ Lower wages.

² Longer hours.

(b) *Wages paid the nonproducing help.*—The individual ability of this class of employees usually determines their worth in America, and no doubt the same is true in European countries, but the general scale of salaries and wages paid this class of help is, without doubt, very much higher in America. A competent superintendent of an American watch factory will command and receive a very high salary, and the same is true as to the compensation of the foreman. We have before us comparisons of the wages paid certain classes of employees in England and America, which come under this classification, and in view of the fact that wages in England are much higher than in Continental Europe, where the watchmaking industry prevails, the figures are significant.

	Per week.	
	England.	America.
Bookkeepers.....	\$7.75	\$20.79
Clerks.....	4.70	12.75
Boys.....	1.50	6.00
Teamsters.....	6.00	12.00
Engineers.....	8.80	18.00
Laborers.....	5.20	11.99
Watchmen.....	6.48	15.00

(3) *Capital.*—(a) *Plant.*—While it is true that many factories have been equipped with American machinery and Swiss duplicates thereof, and that there are now many fully equipped factories in Switzerland and the other European countries, yet the fact that the “home industry” in the watchmaking trade is still prevalent in Europe, and especially in Switzerland, must be taken into consideration in any comparisons as to plant investment there with the amount required in America. The American watch factories are considered the most sanitary, well-lighted, and completely equipped factories in this country; in fact, they are regarded as veritable show places. The nature of the work requires this; the factory must be free from dust; the light of the best; so that American watch manufacturers necessarily have very large investments in their plants.

We have before us some very interesting comparisons as to the weekly wages earned by the various mechanics employed in the building trades in England and the United States and Germany and the United States.

	Per week.	
	England.	America.
Bricklayers.....	\$9.10	\$31.20
Masons.....	9.25	31.20
Masons' helpers.....	6.72	15.60
Carpenters.....	8.35	27.25
Painters.....	8.16	21.80
Plumbers.....	8.75	32.75
Common laborers.....	4.32	9.00

The above figures are based on 54½ hours per week for all branches except bricklayers, masons, and masons' helpers, which are based on 52 hours per week.

In Germany, the building trades work from 60 to 65½ hours per week, according to the time of the year. The wages in the following table are based on these hours:

	Germany.	America.
Weekly earnings:		
Masons and bricklayers.....	\$5.28-\$6.96	\$36.00-\$39.30
Masons' helpers.....	4.32- 5.52	18.00- 19.65
Carpenters.....	5.28- 6.96	27.00- 29.45
Painters.....	5.04- 6.48	24.00- 26.20
Plumbers.....	5.52- 6.48	36.00- 39.30
Laborers.....	4.08- 4.80	9.00- 9.83

The English workmen receive higher wages than workmen in any other European country, and they also work a shorter number of hours. We have before us an interesting comparison of the wages paid in England and other European countries, wherein it is stated that the average wages of mechanical and industrial trades of France and Germany bear the following ratio to each other: France is to England as 75 is to 100; Germany is to England as 83 is to 100.

The average hours of labor bear the following ratio to each other: France is to England as 117 is to 100; Germany is to England as 111 is to 100.

NOTE.—While the figures in regard to the nonproducing help and the building trades in England and America and in Germany and America, as shown by the tables on pages 16 and 17 of this report, were obtained from authoritative sources, and are believed to be accurate, yet they are not official, and we have been unable to verify the comparisons by official figures, except those contained in the table in Bulletin No. 93, issued March, 1911, by the Bureau of Labor, page 510, which contains a comparison of wages paid in the building trades in England and America, and is as follows:

	England and Wales.	United States.
Bricklayers.....	\$9.12-\$9.85	\$26.77-\$30.42
Stonemasons.....	9.04- 9.57	23.42- 26.77
Carpenters.....	8.80- 9.57	16.73- 21.90
Joiners.....	8.80- 9.57	16.73- 21.90
Plasterers.....	8.88-10.14	24.33- 29.00
Plumbers.....	8.60- 9.67	21.29- 27.37
Painters.....	7.66- 9.12	15.82- 20.08
Hod carriers and bricklayers' laborers.....	5.92- 6.57	12.17- 16.73
Fitters.....	7.79- 8.76	15.41- 18.13
Turners.....	7.79- 8.76	15.41- 18.13
Smiths.....	7.79- 8.76	16.47- 20.76
Pattern makers.....	8.27- 9.25	18.13- 22.30
Laborers.....	4.38- 5.35	9.12- 10.65

The figures contained in this table being official, should be reliable.

(b) *Working capital.*—The higher labor cost of production in America, the fact that many American manufacturers are compelled to, or do, import about 66 per cent of their raw materials used in the movement itself, on a large part of which they pay a duty, all necessitate a larger investment than would be ordinarily required in European countries for working capital. On this subject the following report by one of the largest movement manufacturers in America will indicate clearly the advantage the Swiss have over the American manufacturer in one important particular which involves an immense capital investment:

"The difference in costs of manufacture in Switzerland and in America is a fact which can be substantiated, but there is an indirect advantage which the Swiss have that can not be figured, but it is a very pronounced advantage just the same. That is the elasticity of the product of the foreign manufacturer as compared to that of the American manufacturer. With labor at the price it is in America, compared to labor in Switzerland, it is absolutely necessary for us to use as much machinery as possible and to subdivide our operations as finely as possible. This use of machinery and subdivision of labor renders it almost impossible for us to enlarge or decrease our product with ease, because we can not discharge our force when goods are plenty and then get the organization together again when goods become scarce and we need to increase our output. If the force is once disintegrated then we have to educate a new force, and it takes a very long time to do it. The consequence is that we have to keep our production as nearly a certain quantity as possible or else we lose our organization. If we attempt to increase too rapidly with green hands, then we do not turn out a satisfactory product. Furthermore, where we use so much machinery and have so many subdivisions, it becomes necessary to have an immense number of movements all through the factory upon which work is being done. This practically means that the average time for the production of a watch with us is a year or more. While we can turn out the 7-jewel line in five or six months, yet our highest grades will take a year and a half to two years from the time the work is begun on them until the time they are ready for delivery to the market. This means, therefore, an immense capital invested all the time, as well as a large interest account on it. Furthermore, it means that we can not take advantage of sudden changes in demand. If we put in watches to-day and they come out a year from now, it is those watches that we have to sell, and we may not have what is actually wanted at that time. Whenever there is any change in the consumer demand it takes us a long time to meet that changed condition. All this is necessarily due to the use of machinery and the large number of subdivisions of labor. The use of machinery and large number of subdivisions of labor is absolutely necessary with us, because it would be impossible to get skilled watchmakers at any price sufficient for our purposes and the price would be prohibitive. The Swiss manufacturer, on the other hand, has his force almost entirely of skilled watchmakers, even many of those who are running their machinery. As a consequence they do not have to have anywhere near as many subdivisions of labor, for they can put a man who is doing one thing to-day on some other job to-morrow. With a force of skilled watchmakers they can enlarge their product and adapt it to what is wanted without a tremendous investment of working stock. Furthermore, they have such a large number of skilled watchmakers to draw from that they can turn their people off when times are bad and there will be plenty to be employed when times become flourishing, so that they can expand or contract very easily and do not have to continue along at a terrible expense."

The American manufacturer markets his product generally through jobbers. He is compelled to extend credit to these jobbers, and in many instances carry them along, which requires a large working capital investment, while we understand it is the custom for the foreign manufacturer, who exports the greater portion of his production, to receive cash for the goods on presentation of the bill of lading to the foreign banker.

(4) *Fixed charges and overhead expenses.*—We have no data on the taxes paid abroad, but this is an item not to be overlooked in computing American cost of production.

The rates of insurance are said to be much lower in Europe than in this country.

The difference in the interest rate is said to be at least from 1 to 2 per cent in favor of the foreign borrower.

In American watch factories the repairs in a year make no small item, and the amounts expended in upkeep are considerable.

All movements are guaranteed for one year against defects, and a hospital must be maintained for putting in shape all movements which fail to keep accurate time during the first year.

The jobber, in selling to the retailer, often carries large quantities of movements in trunks, and part of these movements often become unsalable and are returned to the manufacturer to be repaired, which is done without charge and at great expense to the manufacturer.

A large machine shop must be maintained to repair dies, tools, and machinery, for the reason that, unless these implements are kept in good repair, it is impossible to produce accurate work, as it is necessary to make the material interchangeable and accurate in size to one ten-thousandth of an inch.

The Swiss manufacturer has another marked advantage over the American manufacturer in that in many instances he can use water power at a very low cost, while the American manufacturer is compelled to use steam power at a much higher cost.

(5) *Industrial conditions and relative labor efficiency.*—Watch movements are made in Bienne, Chaux de Fonds, Geneva, Morteau, Flurier, Porrentruy, Locle, and Brassus, in Switzerland; Besancon, in France; and Glashutte, near Dresden, Saxony, Germany; Italy; and England.

The American watch manufacturer faces a competition from what may be called the "national industry" of Switzerland, and an industry which has been nurtured and fostered by the Government itself. Watchmaking schools have been established under the direction of the various municipalities, with the result that the Swiss watchmaker is a trained expert, having a general knowledge of every phase and process in the production of a watch. He has a broader knowledge of his business, and is able to perform a wider range of operations, so that these watchmakers in Switzerland have, without doubt, a greater efficiency and a wider knowledge of their trade than have American trained watchmakers. The American manufacturer is compelled to, and does, employ a great number of Swiss watchmakers, even the master watchmaker in some American factories being Swiss. The Swiss watchmaker is said to be as fast if not a faster workman than the American watchmaker, so that while the Swiss manufacturer of watches has at his command any amount of trained and skilled workmen, the American manufacturer must train his own workmen.

In order that a clear idea may be gained as to the enormity of this industry abroad, and especially in Switzerland, the following information has been gathered from all available sources, and is submitted in detail, even at the risk of making this report too long, because it is only by a careful study of the subject that the real situation can be fully understood.

Perhaps the latest report upon this subject is to be found in the Daily Consular and Trade Reports, issued by the Bureau of Manufactures, Department of Commerce and Labor, under date of July 8, 1911. Under the heading, "Swiss commerce and industry," we quote the following:

House industry.—A peculiar feature of the industrial system of Switzerland, one which enters seriously into the economic conditions of the Confederation, is what is known as the house industry, or the production of various articles of manufacture in the homes of the workmen. The importance of this particular branch of industry is due to the fact that it involves the relation of cheap hand labor to mechanical production.

Most of the work is done by country people and residents of villages who are engaged in farm work or other occupation during the spring, summer, and autumn, but who spend the winter months in the production of various articles, the material for which is furnished by the manufacturers, who receive and pay for the finished products at a stipulated price per piece or by measurement.

This has been the secret of success in certain Swiss industries, for the reason that it practically eliminates the labor question and enables the exporters to compete successfully in markets where organized labor dominates the situation and higher standards of wages are maintained.

Although applied mechanics is gradually eliminating the house industry, the latest statistics show that there are still about 130,000 people in Switzerland engaged in this primitive method of manufacture. The per cent of workmen thus employed in the various branches of industry is as follows: Textiles, 39 per cent; watches and jewelry, 24 per cent; clothing, 10 per cent; straw braids, 56 per cent; and wood carving, 52 per cent. These figures show that more than half the people occupied in the straw-braid and wood-carving trades are classed as houseworkers.

Of the total number engaged in industrial pursuits, 24 per cent belong to the house industry, 75,000 being engaged in the manufacture of textiles and 13,000 in the production of watches.

Watch industry.—The Swiss watch industry passed through varying vicissitudes in recent years. The period of greatest activity was attained in 1906, when the export

values reached the record figure of \$29,027,495. Following the financial crisis of 1907 the industry suffered a serious depression, the export values for 1908 falling to \$24,954,240, a decrease of \$4,073,255, as compared with 1906. There was a further decrease of over \$800,000 in 1909, as compared with the previous year.

The unfavorable showing in the export figures for 1909 was due, however, to the very low prices obtained for the cheaper grades of watches, large stocks of which had been accumulated during the depression. The peculiar feature of the business in 1910 is that while the export values showed an increase, the market value of each piece exported, including watches, cases, and movements, was 8 per cent less than in 1909.

Practically all the Swiss factories were well occupied, most of them to their full capacity, and, although following a period of depression, the industry passed through the year without financial difficulty, notwithstanding the fact that many of the large importers in Germany, Australia, and Russia, which furnish the best markets for Swiss watches, received credits of 9 to 12 months.

The popularity of the very thin form watches, which is a Swiss invention and which is made in various grades and sizes, has brought increased trade in both local and foreign markets. They are especially popular with tourists. Although some of them are no thicker than a 50-cent silver piece, the mechanism and their merits as time-keepers have not been sacrificed to form.

Export trade in watches.—The number of watches, watch cases, movements, and detached parts exported last year was as follows: Finished watches in nickel, 5,845,004; in silver, 2,682,469; in gold, 943,222; chronometers, repeaters, etc., 32,007; other watches, 875,623. The number of clocks and parts thereof exported during the year was 1,021. The total number of finished watches, cases, movements, and parts thereof exported was 12,985,850, representing a value of \$28,374,291.

The rapid development of the industry in America in recent years has resulted in a decrease in the exportation of watches to the United States which at one time furnished one of the best markets for the Swiss product. To enable them to compete more successfully with machine-made watches the Swiss manufacturers are equipping their plants with modern machinery and depending less upon handwork in the house industry.

The export business in one year of Switzerland alone will amount to more than twice the value of the entire business of American manufacturers in one year.

It may be said in this connection that the watch trade in America since 1907 has suffered a most serious depression. Factories have been running shorter hours, and with many temporary shutdowns. This is the explanation of the decrease in imports from Switzerland and not that suggested in the last paragraph of the above consular report.

New International Encyclopedia; Switzerland; volume XVI, page 398:

"Watchmaking and machinery lead in the metal industries. The most important centers of watchmaking are Geneva, Chaux de Fonds, and Locle. The industry was once very prosperous, but it has suffered severely of late years from the competition of the machine-made watches of the United States. The Swiss, however, have regained a large part of their export trade by the introduction of machinery and the manufacture of the cheaper grades of watches, which they produce by the hundreds of thousands every year, five-sixths of them being sold in foreign countries."

New International Encyclopedia, Volume XVII, page 547:

"*Watch manufacture.*—In England and Switzerland watchmaking was early developed as a household industry. Among the Swiss, in particular, it gave employment to thousands of men, women, and children in their homes, the industry being so far subdivided as to consist of over a hundred distinct branches, and the Swiss finally became the watchmakers of the world. Various attempts, beginning as early as 1809, were made in the United States to make watches by hand after the Swiss plan, but the price of labor was too high and the laborers were too inexperienced, so that each attempt ended in failure. The idea of manufacturing watches by using machinery to make uniform and practically interchangeable pieces first occurred to Aaron Denison, a Boston watchmaker, about 1848, who was familiar with the methods and machinery employed for the manufacture of army muskets at the United States armory at Springfield, Mass. His original plan was to gather under one roof several labor-saving machines already in use in Switzerland for some of their watchmaking processes; to supplement these by new contrivances, and to run them all by one power. He formed a small company, which built its first factory at Roxbury, Mass.; but the Swiss authorities passed a law prohibiting the exportation of machines, models,

or drawings, so that the pioneer company was obliged to construct its own machines. Its first machine-made watch was turned out in 1853."

We quote the following as to the number of persons engaged in watch and clock making in Switzerland, taken from the work of Frank Webb, *Officier d'Academie*, entitled "Switzerland of the Swiss":

"It is estimated that 115,617 persons—55,988 males and 59,629 females—are employed in Switzerland in watch and clock making."

From Alfred T. Story's *Swiss Life in Town and Country* we quote the following:

"But even more important than Geneva in connection with the watchmaking industry is the Canton of Neuchatel. Established in the first instance at Locle, in the early part of the eighteenth century, by Daniel Jean Richard, a man of rare mechanical genius, the new industry soon spread to the neighboring village of Chaux de Fonds, and thence in the course of a few years to many a poverty-stricken mountain village, not only in Neuchatel, but in the neighboring Cantons of Soleure and Berne. If you want to see how watches are made, and under what, on the whole, happy circumstances they are produced, go to one or both of these notable towns, the larger, Chaux de Fonds, being perhaps the most elevated manufacturing center in the world, standing, as it does, at an altitude of 3,274 feet above the sea. It has a population of 27,000, a large proportion of them engaged in the staple manufacture. As at Locle, with about half the population of Chaux de Fonds, the watch and clock making industry is carried on very largely in the homes of the workers, although not to the same extent as formerly. The work is very much subdivided, each man usually confining his attention to one piece of the machinery. Those who prepare the simpler parts will earn from 2½ francs a day upward, while those who do the adjusting, finishing, and engraving, etc., make as much as 10 francs a day. The workmen are usually well to do, living in neat little houses, set in the midst of gardens, of from half an acre to an acre in extent. There is nothing of the slovenly, slouchy look so often characteristic of provincial artisans about these men. They are bright, intelligent, and bring out their French not only correctly, but with something of Parisian refinement and polish. One sees in these blue-bloused workmen what education and proper conditions of living can do to refine and elevate even the lowly sons of toil. I am told that the annual output of watches, the manufacture of Chaux de Fonds, Locle, and the neighboring villages, amounts to something like 300,000, having a value of 36,000,000 francs.

"To many of the villages in the Bernese Oberland and the Soleure Jura watch and clock making has proved a by-industry of the utmost importance, lifting the inhabitants, in many instances, if not to affluence, at least out of the depths of poverty. The pursuit of husbandry, yielding a precarious return at best in those mountainous parts, leaves many hours that would be otherwise unoccupied but for this and other kindred employments for the long nights. It is in this respect in particular that the Swiss have shown themselves so wise and so thrifty. In nearly every part of the country, in the houses of the peasant and workers, we see some by-industry going on. Here it is musical boxes or watchmaking, there wood carving, or what not."

We have the following report from an American watch company upon this subject:

"While the average wages abroad seem very low in comparison with ours, yet to the workman himself there is not so great a difference, because the cost of living is less. Rents are much cheaper, as is also clothing; dairy products are much cheaper, with the exception of cheese, which costs about the same as our domestic product; white bread costs 5 cents per pound and black bread 2½ cents per pound; meats but little more than in the United States. This latter fact, of course, affects the workman, but it does not affect the company, because the company has to pay the increased wages.

"American machinery is increasing in the watch industry in Switzerland, both by importation and imitation. Numbers of Swiss machinery makers advertise to furnish automatic machinery for the manufacture of watches and to fully equip factories with American machinery of their own manufacture. The firm of Henri Hauser, Madretsch (Pres Bienne), is an example. The Omega Watch Co., of Bienne, which is probably the most extensive competitor of the American watch companies in the United States, has a large factory fully equipped with American machinery or machinery built after American designs. They now employ 1,500 people and are said to be increasing their capacity all the time. They also sell under their name some watches they do not make in their factory. These watches are made for them in small factories in St. Imier and Locle."

Copy of an article by Theodore B. Wilson, in the *Popular Science Monthly*, is attached to this report and will be found to be very instructive, in that it shows how

the foreign governments, especially Switzerland, have developed the efficiency of the laborers in the watch industry by schools under the direction and control of the municipalities.

PRICES.

The general trend of prices in the American watch industry has been downward for many years, while the quality of the movement has each year been improved, and the cost of production has become much greater. The following, taken from the catalogues of one American watch company, will show how prices have decreased since 1898, and what improvements have been made in the quality of the various grades:

1898.

Nickel, 21 fine ruby and sapphire jewels in gold settings, escapement cap jeweled, compensation balance, adjusted to temperature, isochronism and position, breguet hairspring, new model stud, patent micrometer regulator, bright bevel-head screws, patent center pinion, polished steel work, double sunk glass enamel dial, finely damaskeened and finished throughout, gold lettering—\$14.12.

1898.

Nickel, 17 jewels in composition settings, adjusted, breguet hairspring, patent regulator, bright flat screws, elegantly engraved and damaskeened, Arabic or Roman dial, red marginal figures, moon hands—\$6.79.

1898.

Nickel, 17 fine ruby jewels in solid gold settings, jeweled center, bevel head gilt screws, 14-K gold patent regulator, accurately adjusted to temperature, isochronism and position, double-sunk glass enamel dial with red marginal figures, breguet hair spring, steelwork highly polished, patent center pinion, elegantly engraved and damaskeened, fine escapement, fleur de lis hands, and first quality "Hampden" mainspring.—\$17.81.

1911.

Nickel, 21 fine ruby and sapphire jewels in solid gold settings, sapphire roller jewel and pallet stones, steel escape wheel, patent center pinion, escape pinion and pallet arbor conical pivoted and cap jeweled, micrometer regulator, breguet hairspring, new model stud, compensation balance with gold screws and meantime screws, adjusted to temperature, isochronism and five positions, double sunk glass enamel dial, red marginal figures, finely damaskeened, gold lettering, polished steel work, first quality "Hampden" mainspring and double roller escapement—\$10.50.

1911.

Nickel, 17 jewels in composition settings, patent center pinion, adjusted, breguet hairspring, micrometer regulator, compensation balance, bright flat screws, elegantly engraved and damaskeened, Arabic or Roman dial, red marginal figures, double sunk dial—\$5.

1911.

Nickel, 21 extra fine ruby and sapphire jewels in solid gold settings, sapphire roller jewel and pallet stones, steel escape wheel, jeweled center, patent center pinion, escape pinion and pallet arbor with conical pivots cap jeweled, patent micrometer regulator, breguet hairspring, new model stud, compensation balance with gold screws and meantime screws, accurately adjusted to temperature, isochronism and five positions, double-sunk glass enamel dial with red marginal figures, bevel head gilt screws, elegantly engraved and damaskeened, first quality "Hampden" mainspring and double-roller escapement.—\$12.50.

1898.

Nickel, 23 extra fine ruby and sapphire jewels in solid gold settings, barrel arbor and center staff jeweled with the finest of sapphires, escapement cap jeweled, conical pivots, finely graduated micrometer regulator, compensation balance, gold screws, breguet hairspring, accurately adjusted to temperature isochronism and position, patent center pinion, bevel head gilt screws, highly polished steelwork, polished train, fine double-sunk glass enamel dial, elegantly engraved and damaskeened in two colors, gold lettering.—\$21.25.

1898.

Nickel, 15 jewels, elegantly engraved and damaskeened, bright bevel screws, patent center pinion, fancy dial, morning glory hands, composition jewel settings, "The Hampden" mainspring, and accurately timed.—\$5.

1898.

Gilt, 7 jewels, expansion balance, patent center pinion, sunk second dial, spade hands, elegantly engraved, and regular "Hampden" mainspring.—\$3.22.

1898.

Outside setting, 11 jewels in raised settings, solid nickel movement, all bearings not jeweled are bushed with anti-friction metal, highly polished, bright screws, sunk second, hard enamel dial, Arabic or Roman figures, moon hands, finely finished throughout. "The Best" Hampden mainspring.—\$6.43.

1898.

Outside setting, 7 jewels, gilt, finished with bright flat screws, sunk second, plain hard enamel dial, spade hands, regular "Hampden" mainspring.—\$4.29.

1898.

Nickel, 17 jewels in composition settings, sunk second and circle dial, Roman figures, breguet hairspring, patent regulator, patent center pinion, elegantly engraved and damaskeened, moon hands, regular "Hampden" mainspring.—\$5.34.

1911.

Nickel, bridge model, 23 extra fine ruby and sapphire jewels in solid gold settings, sapphire roller jewels and pallet stones, steel escape wheel, round arm polished train wheels, patent safety barrel No. 711476 with main wheel arbor pivots revolving in jewels, patent center pinion, escape pinion and pallet arbor with conical pivots cap jeweled, patent micrometer regulator, breguet hairspring, new model stud, compensation balance with gold screws and meantime screws, accurately adjusted to temperature, isochronism and five positions, double-sunk glass enameled dial with red marginal figures, bevel head gilt screws, elegantly engraved and damaskeened, gold lettering, highly polished steelwork, first quality "Hampden" mainspring for patent barrel, and double-roller escapement.—\$16.84.

1911.

Nickel, 15 jewels, breguet hairspring, elegantly engraved and damaskeened, patent center pinion, morning glory hands, composition jewel settings.—\$3.89.

1911.

Nickel, 7 jewels, breguet hairspring, expansion balance, patent center pinion, sunk second dial, spade hands.—\$3.04.

1911.

Nickel, bridge model, 15 jewels, in raised gold setting, upper and lower center bearing bushed with anti-friction metal, breguet hairspring, sunk second glass enameled dial, spade hands, finely damaskeened and finely finished throughout.—\$5.81.

1911.

Nickel, 7 jewels, bridge model with bright flat screws, sunk second, plain hard enameled dial, spade hands, breguet hairspring.—\$3.90.

1911.

Nickel, 17 jewels in composition settings, patent center pinion, breguet hairspring, micrometer regulator, expansion balance, bright flat screws, engraved plates, elegantly damaskeened, sunk second Roman or Arabic dial.—\$4.25.

1898.

Nickel, 15 jewels in composition settings, patent regulator, sunk second dial, Roman figures, moon hands, patent center pinion, bright flat screws, elegantly engraved and damaskeened, and the regular "Hampden" mainspring—\$4.64.

1898.

Nickel, 23 extra fine ruby and sapphire jewels in solid gold settings, barrel arbor and center staff jeweled with the finest of sapphires, escapement cap jeweled, conical pivots, finely graduated micrometer regulator, compensation balance, gold screws, breguet hairspring, new model stud, accurately adjusted to temperature, isochronism and position, patent center pinion, bevel head gilt screws, highly polished steelwork, fine double-sunk glass enamel dial, best fleur de lis hands, elegantly engraved and damaskeened in two colors, gold lettering.—\$21.25.

1898.

Nickel, 15 jewels in composition settings, jeweled center (upper and lower), second sunk dial, patent center pinion, micrometer regulator, bright flat screws.—\$5.02.

1898.

Nickel, 23 fine ruby and sapphire jewels in gold settings, barrel arbor and center staff jeweled with fine sapphires, escapement cap jeweled, conical pivots, patent micrometer regulator, compensation balance, gold screws, breguet hairspring, new model stud, adjusted to temperature, isochronism and position, patent center pinion, polished steelwork, double-sunk glass enamel dial, fleur de lis hands, finely damaskeened and finished throughout, gold lettering.—\$17.52.

1911.

Nickel, 15 jewels in composition settings, breguet hairspring, patent regulator, sunk second dial, Roman or Arabic figures, patent center pinion, bright flat screws, elegantly engraved and damaskeened—\$3.53.

1911.

Nickel, 23 extra fine ruby and sapphire jewels in solid gold settings, barrel arbor and center staff jeweled with the finest of sapphires, escapement cap jeweled, conical pivots, finely graduated micrometer regulator, compensation balance, gold screws, steel escape wheel, breguet hairspring, meantime screws, new model stud, accurately adjusted to temperature, isochronism and five positions, patent center pinion, beveled head gilt screws, highly polished steelwork, fine double-sunk glass enamel dial in Arabic or Roman figures, elegantly engraved and damaskeened in two colors, gold lettering, double-roller escapement.—\$16.66.

1911.

Nickel, bridge model, 15 jewels in composition settings, breguet hairspring, sunk second dial, patent center pinion, micrometer regulator, bright flat screws.—\$4.75.

1911.

Nickel, 23 fine ruby and sapphire jewels in gold settings, barrel arbor and center staff jeweled with fine sapphires, escapement cap jeweled, conical pivots, patent micrometer regulator, compensation balance, gold screws, steel escape wheel, breguet hairspring, meantime screws, new model stud, adjusted to temperature, isochronism and five positions, patent center pinion, polished steelwork, double-sunk glass enameled dial in Arabic or Roman figures, finely damaskeened and finished throughout, gold lettering, double-roller escapement.—\$13.31.

Results of the act of 1909 on the importation of watch movements.—By a comparison of the importation of watch movements under the Dingley law, comparisons covering years 1898 and 1907, it will be found that the increase in the importations of the various grades were as follows:

7 jewels and under.....	per cent increase..	482
7 to 11 jewels.....	per cent decrease..	19
11 to 15 jewels.....	per cent increase..	878
15 to 17 jewels.....	do.....	916
Having more than 17 jewels.....	do.....	386

The act of 1909 increased the duties on the three lower classes, leaving the duties on the two higher classes the same as in the Dingley law.

868 DUTIES ON METALS AND MANUFACTURES OF METALS.

A straight specific duty was substituted on the three lower classes for the combined ad valorem and specific duty.

The following table, on its face, shows that while the importations of the two higher grades have increased under the act of 1909, the importations of the three lower grades have decreased. Recent investigations have proven that this falling off in the importation of the lower grades, as shown by the following table, is fictitious and not real. As a matter of fact, the importations of the lower grades have increased. They are being brought in as material at 40 per cent ad valorem. The following table is compiled from reports made by the Department of Commerce and Labor, Washington, D. C.:

Schedule of imports.

[Taken from reports of imports and duties made by Department of Commerce and Labor, and comparisons for years ended June 30, 1909, June 30, 1910, and June 30, 1911.]

WATCHES AND PARTS.

	Number.	Value.	Duty.	Average unit value.
Jewels, 1 to 7, inclusive:				
Year ended June 30—				
1909.....	532,482	\$425,737.50	\$392,803.11	0.80
1910.....	274,967	264,632.75	184,296.88	.96½
1911.....	347,061	369,615.64	242,942.70	1.06½
Jewels, 8 to 11, inclusive:				
Year ended June 30—				
1909.....	11,242	42,010.22	16,123.56	3.73½
1910.....	7,588	32,707.50	10,206.30	4.31
1911.....	8,188	46,065.38	11,063.80	5.62½
Jewels, 12 to 16, inclusive:				
Year ended June 30—				
1909.....	54,684	182,219.85	86,567.93	3.33
1910.....	41,685	140,485.53	71,467.45	3.37
1911.....	38,924	149,170.50	72,009.41	3.83
Jewels, 16 to 17, inclusive:				
Year ended June 30—				
1909.....	15,426	100,520.00	44,412.50	6.51½
1910.....	11,686	81,564.47	34,998.62	6.98
1911.....	17,182	108,448.00	48,589.50	6.31
Jewels, 18 and over:				
Year ended June 30—				
1909.....	3,812	95,094.00	35,209.50	24.94
1910.....	3,768	120,538.00	41,432.50	32.00
1911.....	5,400	155,347.00	55,036.75	28.77

CASES AND PARTS.

Year ended June 30:			
1909.....	\$561,065.35	\$224,426.14	
1910.....	618,014.78	245,205.92	
1911.....	809,029.05	323,611.63	

The excess of parts (including cases) imported for the year ended June 30, 1911 (dials excepted), over the year ended June 30, 1909, was \$247,963.70.

This excess being reduced to movements f. o. b. New York at the following values each will show:

	Movements.
Parts at 35 cents per movement.....	708,468
Parts at 40 cents per movement.....	619,909
Parts at 50 cents per movement.....	495,927

The figures in the foregoing table showing the number and value of different grades of movements imported for the year ended June 30, 1911, when compared with the previous two years, indicate a very marked increase in price per average unit, which is due to the fact that only the better qualities of the respective grades have passed through the customhouse as complete watch movements, thereby greatly increasing the average price per movement. The increase of nearly \$200,000 of "knocked down watches" imported as material in 1911 as compared with 1910 demonstrates clearly that the lower qualities of the various grades have been brought into the country as material upon the payment of a nominal amount of duty and then put together in the

United States as finished movements; and could it be ascertained how many there were of these movements so imported as material in each of the different grades of jewelings, and these figures being added to the number of finished movements, as shown in the foregoing table, it would perhaps more than double the number of the movements and show a corresponding decrease in the value per average unit and likewise a corresponding increase of protection afforded to and required by the American manufacturers of watches under the Payne bill.

The importation of materials used in the making of watches by the American manufacturer has materially decreased, owing to the depressed condition of the American watch business; therefore, the great increase in the importation of material for watches can only be explained by the fact that Swiss watches of the lower grades, instead of being imported in their entirety, are imported "knocked down" and reassembled in New York and other cities, thereby evading the specific duty and paying an ad valorem duty upon them as material. Thus, the Government is losing revenue and the American manufacturer his protection.

From the foregoing figures it will be seen that during the year ended June 6, 1909, during which time the Dingley bill was in operation, the average unit value of the seven-jeweled movements was 80 cents per unit, and during the year ending June 30, 1911, during which time the Payne bill was in effect, the average unit value was \$1.06½, showing that during 1911 only the better quality of the seven-jeweled movements were imported as complete watch movements. In no other way can the great increase of the average unit value be accounted for.

For a further verification of this statement it is only necessary to observe the figures of the higher grades of movements.

From the twelve-jeweled movements upwards there is but little variation of the average unit values in the years designated.

It is submitted that the fixing of the duties upon watch movements based upon the average unit values as shown by the report of the Department of Commerce and Labor in the foregoing table, must be erroneous, as the average unit values therein found are in themselves erroneous.

The total value of completed watch movements in all grades, as shown by the report referred to, for the year 1911, was \$823,734, whilst the total of "Cases and parts" of watches imported during the same period was \$809,029. There are but few watch cases imported, and their value may be regarded as nominal. It therefore appears that the value of the material imported almost equals that of the complete movements.

On the complete movements the Government collected duties in 1911 amounting to \$429,632.16, and on the materials, \$323,611.63, which was practically a loss to the Government of \$106,020.53.

The inadequacy of an ad valorem duty upon watch movements to prevent fraud and to enable the Government to collect proper duties likewise results from the fact that many of the largest importers of watch movements in this country have their own factories in Switzerland, and the movements are billed to themselves in the United States at cost, or under cost.

Invoiced values are practically controlled by the exporters, and if the exporters are both exporters and importers, the opportunity and temptation to undervalue the product is apparent.

Invoiced values therefore are not the proper basis for the imposition of duties on watch movements, and only a specific duty will enable the Government to derive its proper revenue from their importation and afford the protection absolutely necessary for the American watch manufacturers.

Methods of evading provisions of act of 1909.—It was found during the investigations above referred to that in New York there are at least seven importers of watch movements engaged in importing materials and having them assembled in New York. One importer is said to employ as high as 75 men assembling watch movements.

An importer in New York, who is not following the practice to any extent, stated that at least three-fourths of the seven-jewel movement and under being imported to-day are brought in as material and assembled in this country. This same practice is being followed in the case of 11 and 15 jewel movements. It, therefore, covers the three lower grades. The higher grade movements being adjusted and much finer watches can not be so readily handled in this manner, on account of the adjusting which requires much time and expert workman. The importer above referred to stated that a seven-jewel movement would cost him, less the duty, from 40 to 50 cents delivered in this country.

The duty being 70 cents, the watch would cost him from \$1.10 to \$1.20. He said he could import the material and pay the duty for from 35 to 40 cents. He stated that the labor cost of assembling the movement here would be not to exceed 30 cents, as very

cheap labor can be employed in merely assembling this class of movements, as they are of low grade and low quality, and consist in merely putting the material together, which is prepared abroad in such a way as to make it a very simple process. Therefore he could get his watch movements for from 65 to 70 cents by this method, which, if imported complete and duty paid, would cost him from \$1.10 to \$1.20.

But, without doubt, the controlling reason for this practice is to evade the stamping provisions of the act of 1909. A large business has been built up in cheap Swiss watches made in imitation of American movements, by the use of false markings and fictitious names and initials to simulate the names of well-known American manufacturers of railroad watches, as in more fully set out in the pamphlet attached to this brief on that subject. In order to carry on this practice it was necessary to bring in the movements as material, for the reason that complete movements are required to be marked, and the result has been to make it appear that the importations in cheap watches have fallen off, while, as a matter of fact, they have increased. The importations of watch cases and watch materials increased from \$561,135 (dials included) in 1909, to \$809,030 (dials excepted) in 1911, as shown by the above table. The increase in the importations has been watch materials, for the reason that the importation of watch cases is very small at all times.

The watch business since 1907, as hereinbefore set out, has been in an exceedingly depressed condition in this country, and this has been especially true during the years 1910 and 1911. They have been regarded by everybody in the trade as off years. This would also have its effect on the number imported.

Stamping provisions of the act of 1909.—The stamping provisions of the act of 1909, while important in preventing undervaluations, are most important in serving to prevent frauds of the most flagrant kind. We attach to this report a part of the evidence on this subject submitted to the committees of Congress in 1909 and invite your most careful consideration of the same.

One method of figuring factory cost of movements.—On January 1 of each year the several watch departments furnish an estimate of the known cost of labor per 100 for each grade of movement, and the material manufacturing departments likewise furnish an estimate of the known cost of labor per 100 for the various parts of movements.

These estimates are based on the piece-work prices paid in the several departments, together with such day labor as can be estimated closely so as to express it in cost per 100.

These estimates are grouped under the various grades of movements to which they apply, and the total known labor cost of each department for each grade is found.

To these figures are added in the form of a percentage the undeterminable labor costs in each department; that is, labor not included in the piecework prices, and which can not be expressed in cost per 100. This percentage is founded on monthly lists during the year past, from each department, of all employees who are not included in figuring the known costs, such as, jobmasters, clerks, and other dayworkers.

The total labor cost per 100 for each grade is thus arrived at. To this total is added in the form of a percentage the cost of watch machinery repairs, after which the cost of the material (raw) is added.

To this total are added:

First. A percentage for unknown costs ascertained from statistics relating to expenditures, product, and a comparison of the two latest yearly inventories, at present prices and,

Second. The general superintendent and expense percentage, the expense supplies used during the year (oil, waste, etc.) being determined in the usual manner.

The result is the factory cost per 100 movements of each grade, to which is added the cost of the box in which each movement is packed for shipment.

The foregoing is one method of figuring the net cost of the movement itself. It does not include any of the expenses of running the factory, such as power cost, interest on investment, insurance, commercial expenses, advertising, repairs on movements and tools. It is the method of figuring actual cost of the movement in dollars and cents.

SUMMARY.

1. The fact that watch movements are capable of a simple classification, and the fact that frauds and undervaluations are practiced, make a straight specific duty on all classes and grades of watch movements desirable.

2. The most of the American manufacturers import at least from 50 to 65 per cent of the materials that go into a watch movement, on a part of which they pay a duty, and this alone gives the foreign watch manufacturer a great advantage.

3. The average wages paid the producing help in all European countries in the watch industry will be found to be less than one-third of that paid in America.

The foreign manufacturers not only have the benefit of American machinery used to produce watch movements, and duplicates thereof, but they have the advantage of cheap skilled labor and the advantages that grow out of the "home industry" in the watchmaking trade prevalent in Europe.

4. While the difference in the material cost and the difference in the labor cost is startling, yet when the difference in conditions is considered, the hours worked, difference in plant investment, in working capital required, and general expense of manufacture, a difference in cost of production exists which is hard to comprehend or to express.

5. The laborers in the watch industry abroad have a greater efficiency and have a broader knowledge of their trade, and are regarded as fast, if not faster, workmen than the American trained watchmaker. In Switzerland schools are established by the Government, and the watch industry is regarded and fostered as one of their national industries, thus making skilled workmen plentiful, while in America they must be trained by the manufacturer at great expense.

6. Frauds can only be prevented by a strict enforcement of stamping laws and a straight specific duty.

7. The prices of American-made watches have generally decreased, while the quality of the product and the cost of production have each year increased.

8. The provisions of the act of 1909 are being evaded by the importation of the lower grades of watch movements as watch material, the movements being assembled in this country.

9. It is a fact not to be disputed that, unless properly protected from cheap foreign labor and the lower cost of production abroad, the American watch manufacturers can not survive.

Respectfully submitted.

ROSCOE C. McCULLOCH,
Counsel for American Watch Manufacturers.

CANTON, OHIO, January 4, 1912.

[An article published in the Popular Science Monthly, Vol. XLVI, p. 62.]

THE SWISS WATCH SCHOOLS.

By Theodore B. Willson.

One need not be specially interested in watch making in order to be fascinated with what he will see of watches and watch work in Switzerland.

The great number of jewelers' shops in the cities, displaying watches in every conceivable form and setting—as eight-day watches, watches in pencils, studs, caneheads, bracelets, rings, etc.—will be sure to make him loiter fascinated in front of each window he passes. For minute and ingenious work the Swiss outdo the world. Indeed, to what an extent the Swiss are furnishing the world with its pocket time may be guessed from the estimated exports in that line, which are now said to exceed \$20,000,000 annually, and this figure can hardly include that unknown amount of such wares bought to some extent by almost every tourist as a present or souvenir. In almost every European country the watches offered for sale are in large part Swiss. The only rival of the Swiss watch is the American, and even here, despite our development of the industry and high tariffs, the patterns are chiefly Swiss.

The writer was greatly interested in this nation of watchmakers, and gave some attention, during a recent visit to that country, to the Swiss methods of making watchmakers, as well as of making and marketing watches.

The Ecoles d'Horlogerie—schools of watchmaking—are under the municipal management in Switzerland precisely as are our common schools. Special permission must be obtained by anyone desiring to visit either the watch or the common schools. There are watchmaking schools at Geneva, Neufchatel, Chaux-de-Fond, Locle, Bienne, Ste. Imier, and Porentruy.

The idea of going to school to learn to make watches would strike an American schoolboy as queer enough. Doubtless many of them who find the arithmetic, geography, and grammar to go rather heavily, but who are fond nevertheless of seeing "the wheels go round," would think it a blessed existence to study nothing at school except these wheels, how to make them, and make them go round. But the schoolboy might invest it long before the slow, thorough, exacting work is done which entitles the Swiss boy to graduate an accredited watchmaker.

The school the writer visited is the extensive one at Geneva. Being provided with the requisite permission, and escorted by an "alumnus" of the institution, he was shown every courtesy and afforded every opportunity to observe.

One is first ushered into the beginners' room. To enter, a boy must be at least 14. He will first be introduced to a wood-turning lathe and set at turning tool handles. He will be kept at this from eight days to several weeks, according to aptitude. Then he will be advanced to the work of filing and shaping screw-drivers and similar tools. These, and all other tools which he may afterwards make, will be his own. Being in course of time to some extent provided with tools, he will undertake making a large wooden pattern of a watch frame, perhaps as large as a dining plate. After he has learned just how this frame is to be shaped, he is given a ready-cut one of brass of the ordinary size, and he begins drilling the holes for the wheels and screws (Fig. 1). All along the masters stand over him and instruct him. The circular pieces of brass which are put into his hands here he will go on with, and when the watch is completed, that, too, will be his own.

He is then taught to make other fine tools, and to finish the frame, ready to receive the wheels.

Then he will leave the first room, and pass up into one where he is taught to fit the stem-winding parts, and to do other fine cutting and filing by hand, to make watches that will strike the hour, minute, etc., for which class of work the Swiss are so famous. One can readily conceive how exceedingly minute and exact such workmanship must be, particularly on the minute snail—that is, the guide which permits and arrests the striking, so that, in addition to the hour and the quarter, the very minute shall be sounded.

The master in this room had been 38 years in that office, directing, inspecting, criticising, and it was interesting to observe that his eyesight was still perfect, a fact which tends to confirm the statement sometimes made that it is rare to find a working jeweler an inmate of an eye infirmary.

When the student has mastered the work on these fine file-dressed parts he is ready to pass on into the train room—i. e., the room in which the wheels are cut. Here he will be taught how to handle the beautiful little machines which cut the cogs. Some of them are so fine that they can be adjusted to cut 2,400 cogs on one small wheel.

In this room are seen large working models of watch movements, perfect watches in every respect, though large as a saucer, which enable the student to study very important matters of the angles of cogs, the bearings and adjustment of the matched parts, etc. Many of the numerous jewelry shops over the city have these mammoth watch movements running in the windows as a means of engaging the attention of the passerby of mechanical tastes.

The next step upward is into the escapement room, where those steel parts which constitute the escapement—the scape-wheel, lever, and balance—are cut. (See figs. 4, 5, 6.)

The essential difference between the American manner of making a watch and the Swiss is brought to mind in the course of your stay in this room. Take the lever in illustration. The American manufacturer cares little how a lever looks, provided only it serves its purpose properly. The Swiss workman, however, must needs dress down the lever until it shall have a delicacy and comeliness all its own. The difference between a Swiss and an ordinary American lever has been likened to that between an antelope and a bear. (Compare figs. 3 and 5.)

Having remained in the escapement room long enough to master the principles and the practice required for making those delicate and critical parts the boy, or rather young man—for he has added several years to his age by this time—is ready to enter the last or timing room. Here he learns to do the very fine work which makes a watch a fine timekeeper. Without this work a watch may run a little faster when wound up tight than when partly run down. It will often run a little faster in the cold than in the warm pocket. It may not keep quite the same time when hung up that it does when lying down.

To get rid of all these imperfections requires very careful, patient, and skillful work. It will suffice for the ordinary reader if we give but a few suggestions as to the manner of procedure.

The tendency of a watch to vary by reason of the varying pressure of the mainspring is overcome by means of the hairspring. Experimentation has proved that if certain peculiar curves and inclinations are given to portions of the hairspring it will compel the balance to beat equal time for a longer or shorter swing. What these curves are the student learns from drawings which he follows as closely as he can, and then proceeds on the "cut and try" principle. Timing for heat and cold is a simple matter, and is accomplished by adjusting the screws on the balance. Every respectable balance is made, by means of a combination of brass and steel hoops, to adjust itself more or less accurately in changes of temperature. But to bring about great accuracy in this respect requires much patience and experimentation. Then comes

the adjustment for changing positions. If a watch runs a little faster lying down, the bearing affected by that position must be made a little coarser. Here the "cut and try" method must again be patiently applied.

At length, when the young man can get his watches so that they will not vary more than two and a half seconds a day, whether cold or warm, and no matter how many times they are changed in position, he is entitled to a certificate from the astronomical observatory where the watches are tested, that he is a competent watchmaker.

In the United States men or women or boys learn to run, perhaps, one little machine in a large factory, which cuts or polishes one small part, and do not try or need to understand the whole trade of watchmaking. But in Switzerland the man who makes a watch, or any part of it, is a watchmaker always, although he will sooner or later decide what part of watchmaking he prefers, and manufacturers will then bring him just that work to do. One man may make a business of merely polishing screw heads, another does nothing but time watches, etc. There are no large watch factories in Switzerland, such as we have, but all their myriads of watches have been passed round through the little shops of these watchmakers before they have got all their parts and are ready for the pocket.

One of the consequences of the Swiss made of making a watch is, that its every part is made for that particular watch. This is true not only of the movement, but the case. Cases are not interchangeable as with us. Each case is made to fit a given movement, and will not, unless by sheer accident, fit another. A dealer requiring watches must give his order, say for a dozen, to the watchmaker who is making a specialty of the earlier parts of the work, and then the dealer must follow his order on until it is completed and cased.

After observing the thoroughness of the training of which the Swiss workman has the advantage, one hardly wonders that the Swiss are able to produce at once the quantity and quality of watch work for which they are justly famed.

EFFECT OF STAMPING PROVISIONS ON RAILROAD TIME SERVICE.

CLEVELAND, OHIO, *May 29, 1909.*

HON. T. E. BURTON,
United States Senator, Washington, D. C.

DEAR SIR: Again referring to that part of the tariff bill which has a bearing on the importation of Swiss watches, I wish to give you some further information on the subject.

For 20 years I have had charge of the time service and watch inspection departments for several important American railroad companies, and at the present time I am general time inspector for the following lines:

Union Pacific Co., Southern Pacific Co., Illinois Central Railroad Co., Baltimore & Ohio Railroad Co., Missouri, Kansas & Texas Railway Co., Oregon Railroad & Navigation Co., Rock Island lines, and companies under their control; all the Vanderbilt lines, besides several other large systems, the mileage of which run considerably over 100,000.

You can readily understand this large territory, extending from Boston, in the East, to San Francisco, in the West, and from New Orleans, in the South, to St. Paul, in the North, embraces the most important part of the United States, and the experience I have gained in connection with the administration of this service has acquainted me with all the different makes and qualities of watches of American manufacture, as well as foreign, that are brought into service in the way of timepieces which govern the movement of trains.

The provisions in paragraph 189 of the tariff bill, requiring the name of the manufacturer and location, together with the number of jewels and adjustments, be plainly stamped on all imported watch movements, I consider of the greatest importance as a safeguard to the railroad time service and watch inspection now in operation on American railroads, and it applies, as well, to the safety of the traveling public and the shippers who patronize these railroads.

To permit foreign watches to come into this country without such markings is tampering dangerously with human life and property.

Hundreds of fraudulent Swiss watches are sold to railroad employees who are directly responsible for the transportation of their fellow employees and the traveling public and the shipping of live stock and merchandise.

It is a well-understood fact that certain American-made watches fully meet all requirements of railroad standard watches, and one of the greatest hazards we have to contend with as time inspectors is the Swiss-made watches bearing markings counterfeiting well-established railroad standard watches and which railroad employees are induced to purchase through fraudulent means and misrepresentation.

So complete has been the deception in many instances that our local watch inspectors who are not experts, due to the fact of their being located in inland towns and not having had experience, these counterfeit watches frequently get into service and remain in the hands of employees sometimes for several months before finally being detected and taken out of service.

Nothing is more important in the safe and prompt movement of railroad trains than reliable watches in the hands of employees in charge of such trains.

A watch can truly be classed as a valuable "safety appliance," for without such watches every wheel would stop.

An instance of this kind occurred quite recently. I refer to the extraordinary snow-storm and blizzard that swept over the country on the 4th of March last, at the time of the inauguration of President Taft.

Nearly everyone traveling to Washington has a keen recollection of the delay and the hazard involved in the movement of trains, due to the fact that telegraph wires were all down and communication in that direction was entirely cut off, and employees in charge of trains were obliged to depend absolutely on the correct reading of the watches in their pockets. The truthfulness of this statement can be verified by inquiring of some of the prominent officials whose trains were delayed, due to the extraordinary weather conditions.

As general time inspector for the important railroad lines above enumerated, I have about 1,000 watch inspectors located at the terminal points along these lines, who inspect and look after the rating of the watches of the employees, under instructions issued from my department, approved by the operating officers of the different lines.

At the large cities it is easy to secure competent expert watch inspectors who are thoroughly familiar with all the different makes and grades of watches, but at the inland small points we find great difficulty frequently in securing competent, experienced watch inspectors, and we are obliged to keep check on such points by sending over the lines, at frequent intervals, traveling expert watch inspectors, who check up the work of these inland inspectors and instruct and educate them as to their duties and the proper way to handle the service.

I have a large corps of assistants who are skilled in this kind of work and, in order to properly administer the service, offices are maintained in Cleveland, Chicago, and San Francisco.

The duties of my assistants connected with these offices are to check up the records of the local inspectors and see to it that the employees' watches are of the proper standard and maintained in reliable timekeeping condition, thereby safeguarding the traveling public, the shippers, the employees, and the railroad companies' interests.

From this general outline you will understand the importance of securing for this service watches about which every hazard of doubt and uncertainty is reduced to the minimum.

I have before me a Swiss-made watch which was brought into my office yesterday by a man who loaned a railroad employee \$5 on the watch. The markings on this watch are as follows: "Missouri Pacific," "Specially adjusted," "Extra quality," "Highly 21 jeweled," "Swiss." I find it has five jewels made of glass, and the center jewel, one of the most important bearings in the watch, has the appearance of a ruby, but upon examination we find it is made of red wax.

The markings on this watch indicate that the figures giving the number of jewels at "21," were stamped on the plates after the watch passed through the customhouse. This is certainly one of the worst frauds that has come under my observation.

I have another watch movement before me which was recently detected in the hands of a railroad employee. It bears the following markings on the plates: "Bell special," "23 Ruby jewels," "Adjusted." On the dial is also marked: "Bell special." The numbers "23," were stamped on this watch evidently after it passed through the customhouse, as it is a very rough job, while the other lettering is plain and well done. This watch has only seven glass jewels. The general inside finish of both watches, and under the dial, is very rough and poor.

During the years I have had charge of this time-service work we have detected and taken out of service hundreds of such dangerous machines, and I do not know of any greater protection that can be afforded the traveling public, the shippers, the employees, and the railroad companies than the enforcement of the provisions in paragraph 189 of the tariff bill; and, furthermore, these same provisions will protect the integrity and high standing of reliable Swiss manufacturers, who have spent large sums of money and years of patient skill and experience to produce watches that can be depended on and have gained a world-wide reputation. Certainly no harm can come to them or American merchants and their customers by having the provisions in paragraph 189 of the tariff bill fully complied with.

I wish to further state, if the provisions of this tariff bill in regard to the stamping of Swiss watches are fully complied with, it will render valuable assistance to the time

service department in maintaining the service along such lines as will bring the highest degree of efficiency and safety to the railroads and the important interests involved in connection therewith.

Yours, truly,

WEBB C. BALL,
General Time Inspector.

CLEVELAND, OHIO, *February 20, 1909.*

Mr. E. C. FITCH,
President Waltham Watch Co., Waltham, Mass.

DEAR MR. FITCH: Attached herewith please find two letters from E. J. Heather, employed by the Chicago, Burlington & Quincy Railroad Co., at Peruque, Mo., that recite his experience with the Swiss counterfeit watch which you have, and indicating that he purchased it under the impression that he was securing one of our "Ball Railroad Standards."

You can understand that the manufacturers of this counterfeit have provided a very good opportunity for misrepresentation by stamping their movement "Time Ball Special."

Here is a definite instance where the employee of a large railroad system, thinking to secure one of our watches, was deceived into purchasing a worthless imitation.

Yours, very truly,

THE WEBB C. BALL CO.,
Per S. Y. BALL.

PERUQUE, MO., *February 7, 1909.*

The WEBB C. BALL WATCH CO.,
Cleveland, Ohio.

GENTLEMEN: Your letter February 5. So far the watch has not showed up. The only thing I will do I will accept your check for \$5. Nothing less goes for the watch. I can get that much for it here, as that 21 J. will sell it. Please return watch or mail your check.

Yours, truly,

E. J. HEATHER.

PERUQUE, MO., *February 17, 1909.*

The WEBB C. BALL WATCH CO.,
Cleveland, Ohio.

DEAR SIR: You asked for the particulars as how I came in possession of the "Ball Special" watch I sent you for examination as to the value and for cleaning. I bought this from one man and a boy. They were dressed fairly good, but claimed they were out of funds and wanted to get to St. Louis and offered the watch in question for sale at a sacrifice, so they put it, claiming that it was "Ball Special," with 23 jewels, and was worth, or cost them, as near as I remember, about \$20, and that it was a number one watch, etc. But before I bought I called up a man over the phone who handles watches as a side line and he told me that the Webb C. Ball Watch Co. was good, of course. I thought I was getting something for nothing and supposed the watch was a regular Webb C. Ball.

Yours, truly,

E. J. HEATHER.

AFFIDAVIT OF EDWARD A. MARSH.

I have this day made a careful and detailed examination of a watch movement, on the top plate of which is stamped the number 172654; also the following words: "Time Ball Special," "Nonmagnetic," "Six Positions," "Highly 23 Jeweled"; also the word "Swiss." On the steel cap covering a portion of the regulating mechanism is stamped the word "Adjusted." On the dial are the words "Time Ball Special" and "Jeweled" in Roman letters, and over the second circle the word "Adjusted" in script.

This movement would be briefly described as "18 size, open face, full plate, stem winding and lever setting."

The construction would be technically known as a "4-pillar model," with a "right-angle escapement" and "going barrel."

In detail it is described as follows: The plates and bridges are of brass, but plated to represent or imitate nickel—that being the metal used in the majority of American watches and used exclusively in the higher grades.

The workmanship throughout is coarse and the finish is cheap. The top plate contains four jewels, which are set in the plate itself, although there is an attempt to represent separate settings by surrounding the jewels by circular lines and by the

insertion of screws, such as are used in high-grade American watches, to secure the jewel settings in place. The balance cock contains the usual two jewels—a "hole" jewel and an "end stone." The lower plate contains no jewels.

The potance, or lower support of the balance staff, contains one hole jewel corresponding to that in the cock, or upper support of the balance staff, but in place of a jewel end stone, a flat steel disk is used. The pallet (which in all ordinary American watches contains two jewels, which act upon the teeth of the escape wheel) has no jewels at all. The roller, in place of the ordinary "jewel pin," has merely a piece of brass wire. The entire number of jewels contained in this movement is 7, instead of 23, as stamped on the top plate. Note that the figures "23" are not stamped but were evidently engraved after the watch passed the customhouse. The body of the balance wheel is composed of a single piece of nickel instead of being bimetallic, as in the regular compensating balances. The rim screws in the balance are really imitation screws. The hairspring is so badly out of proper shape as to be entirely unreliable and would render impossible any adjustment of the watch to varying positions. Concerning the markings on the top plate, it seems evident that the word "highly" and the word "jeweled" were widely separated, for the purpose of fraudulently inserting a fictitious number, so that while this movement could be invoiced as a "seven-jewel" movement, it could, after customhouse inspection, be engraved to describe, represent, or indicate any desired number in excess of seven. The difference in the appearance of the figures and the words between which they appear gives strong evidence that this was done. Furthermore, it seems evident that the name "Time Ball Special" was adopted and used to mislead purchasers into the belief that they were buying a watch commonly known as "The Ball Railway Special," Mr. Webb C. Ball being chief time inspector on 70 of the railroads of the United States, covering more than 60,000 miles. This belief is confirmed by the accompanying letters from E. J. Heather and Webb C. Ball, the official time inspector above mentioned. While the words "Nonmagnetic" are not absolutely false in fact, their assertion with other markings, which are entirely false, justifies the assumption that they were used with the intent to deceive and mislead the ignorant purchaser.

But more serious than the fraud and its accompanying pecuniary loss to the purchaser of such watches is the danger to life of the traveling public if such watches find even temporary use in railway service. It is to insure safety in the operating of railway trains that systematic time inspection has been established on most of the American railway systems. It is, therefore, little short of criminal to issue inferior watches which are so marked as to deceive any portion of the public.

EDWARD A. MARSH.

WALTHAM, MASS., February 25, 1909.

COMMONWEALTH OF MASSACHUSETTS, *Middlesex*, ss:

WALTHAM, February 25, 1909.

There personally appeared the above-named Edward A. Marsh and made oath that the above statement by him subscribed is true.

Before me.

ROMEY SPRING, *Justice of the Peace*.

DECEMBER 31, 1908.

HON. SERENO E. PAYNE,

*Chairman of the Committee on Ways and Means,
House of Representatives, Washington, D. C.*

DEAR SIR: We desire to submit to you the following facts in reference to the frauds upon the public practiced by the importers of certain foreign watches.

In this country there is a careful system of inspection of watches designed for use on railroads, and a certain standard of excellence has been established. To conform to this standard a watch must have at least 17 jewels and be adjusted to heat and cold and to three positions. The requirements often go further than this and call for 23 jewels and adjustment to heat and cold and five positions. As a result, railroad watches are generally understood by the consumer in this country to be watches of a very high grade. Advantage is taken of these facts and the public are deceived by the following devices:

1. The use of fictitious names and initials to simulate the names of well-known American manufacturers of railroad watches. An example of this form of deception is shown in Exhibit F, which is a Swiss watch movement in a pasteboard submitted herewith. On this watch movement are the initials "H. W. Co.," and in Exhibit E, which is marked "J. P. Hamlin." Both of these movements are intended to be sold as watches by the Hamilton Watch Co. No such person as John P. Hamlin is believed to exist in Switzerland, and it is obvious that a purchaser might readily

mistake a "Hamlin" watch for a "Hamilton" watch. The significance of the mark "H. W. Co." requires no comment.

2. The use of pictures of locomotives on the dial and the use of such names as "Railroad Trainmen Special," "Engineers' Special," "Railroad Special." Exhibits A, B, C, and D are so marked. The only purpose of this marking is to induce the public to believe that they are buying a watch of the grade generally known in this country as a railroad watch.

3. The use of the terms "heat and cold" and "six positions," these words convey the impression that the movements on which they are stamped are adjusted to heat and cold and to six positions, which is not the fact. American-made movements which are so adjusted cost at least 10 times as much as the movements in question.

4. The employment of the terms "highly jeweled" and "richly jeweled," with a blank space for engraving, after passing the customhouse, as a low-jewelled movement, the words "19-21-23" intending to convey the idea that they are movements containing that number of jewels. For an example of this see Exhibit E, where the figures "21" have been stamped after importation. We particularly direct your attention to this exhibit and to the way in which the figures "21" are placed upon the movement. It is palpable that "21" and "highly jeweled" were not stamped on this movement at the same time.

The cost to the jobber of the various exhibits submitted herewith are as follows:

Railroad Special, Exhibit A.....	\$1. 65
R. R. Trainmen Special, Exhibit B.....	1. 65
Engineers' Special, Exhibit C.....	1. 65
Hartford, Exhibit D.....	1. 65
J. P. Hamlin, Exhibit E.....	1. 75
H. W. Co., Exhibit F.....	1. 70
H. W. Co., Exhibit G.....	1. 57½

If such fraudulent movements should be sold at all at retail a reasonable profit would be from 25 to 33 per cent, but by reason of the deception practiced, they are sold to the innocent consumer at a profit between 500 and 1,000 per cent. The cheapest genuine railroad watch movements are sold to the jobber from \$16 to \$18.

The watch movements submitted as exhibits are, in fact, not highly jeweled, nor adjusted to different positions, nor are they in any respect well made. These movements have been carefully examined by Mr. Hunter, of the Elgin Watch Co., and his affidavit, showing in detail the results of his examination, is hereto annexed and marked Exhibit A.

Very truly, yours,

HAMILTON WATCH CO.,
By CHAS. D. ROOD, *President*.

AFFIDAVIT OF GEORGE E. HUNTER.

STATE OF ILLINOIS, *County of Kane, ss:*

George E. Hunter, of lawful age, being first duly sworn, upon oath deposes and says that he is the general superintendent of the factories of the Elgin National Watch Co., at Elgin, county of Kane, and State of Illinois; that he has examined the seven (7) watch movements which are herewith transmitted under notarial seal; and that the memorandum hereto attached is a correct statement of his findings therein.

And further this affiant sayeth not.

GEORGE E. HUNTER.

Subscribed and sworn to before me this 28th day of December, A. D. 1908.

MORTIMER S. ALDRIDGE,
Notary Public.

[Memorandum of examination of Swiss watch movements in boxes marked "A," "B," "C," "D," "E," "F," and "G," and belonging to the Philadelphia Watch Case Co.]

Movement in box marked "A."—Stamping: On top plate pieces "R. R. special" "Specially adjusted." Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no endstone).....	1
Balance bridge (balance pivot and endstone).....	2

No jewels in roller or pallet.

A piece of red celluloid or similar substance surrounds upper center pivot hole, to imitate a jewel. The pivot actually runs in the brass plate. Balance: This is of the

compensation type, with bimetallic (steel and brass) rim. The rim is not cut. Hairspring: Composition. Escapement: Double roller. Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "B."—Stamping: On top plate pieces "R. R. trainmen's special" "Nonmagnetic" "Adjusted" "Highly jeweled." Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Potance (balance pivot hole, no endstone).....	1
Balance bridge (balance pivot hole and endstone).....	2

No jewels in roller or pallet.

Balance: Solid; German silver. Hairspring: Composition. Escapement: Single roller. Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "C."—Stamping: On top plate pieces "Engineers' special" "Adjusted." Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Potance (balance pivot hole, no endstone).....	1
Balance bridge (balance pivot hole and endstone).....	2

No jewels in roller or pallet.

Balance: Solid; German silver. Hairspring: Steel. Escapement: Single roller. Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "D."—Stamping: On top plate pieces "Hartford" "Adjusted" "Heat and cold" "Six positions" "Highly jeweled." Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no endstone).....	1
Balance bridge (balance pivot hole and endstone).....	2

No jewels in roller or pallet.

Balance: Solid; German silver. Hairspring: Steel. Escapement: Double roller. Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "E."—Stamping: On top plate pieces "John P. Hamlin" "Adjusted" "Highly jeweled" ("21" has been stamped before the word "Highly" since the plate was finished) "Heat and cold" "Six positions." Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no endstone).....	1
Balance bridge (balance pivot hole and endstone).....	2

No jewels in roller or pallet.

Balance: Solid; German silver. Hairspring: Steel. Escapement: Double roller. Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "F."—Stamping: On top plate pieces "H. W. C." "Heat & cold" "Six positions" "Ruby jewels." Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot holes, no end stone).....	1
Balance bridge (balance pivot holes and end stones).....	2

No jewels in roller or pallet.

A piece of red celluloid or similar substance surrounds the center pivot hole in the top plate, also the barrel arbor pivot hole in the barrel bridge, to imitate ruby jewels. The pivot in both instances runs in the brass plate. Balance: Solid. German silver. Hairspring: Steel. Escapement: Double roller. Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

Movement in box marked "G."—Stamping: On top plate pieces "H. W. C." "Adjusted" "Heat & cold" "Six positions" "Ruby jewels." Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot hole and end stone).....	2

No jewels in roller or pallet.

Balance: Solid. German silver. Hairspring: Steel. Escapement: Double roller. Adjustment: This movement is not adjusted, in the ordinary acceptance of the word.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 14

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED**

AUGUST 5, 1909

FIRST PRINT

SATURDAY, FEBRUARY 24, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

WELDON B. HEYBURN, Idaho.

ROBERT M. LA FOLLETTE, Wisconsin.

JOSEPH W. BAILEY, Texas.

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JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, *Clerk.*

W. B. STEWART, *Assistant Clerk*

II

D. OF D.
MAY 8 1912

SATURDAY, FEBRUARY 24, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10.30 o'clock a. m.

Present: Senators Penrose (chairman), Lodge, McCumber, Smoot, Clark, Heyburn, Simmons, Williams, Kern, and Johnson.

STATEMENT OF MR. THOMAS HUNTER, OF FULTON, N. Y., REPRESENTING THE HUNTER ARMS CO. AND OTHERS.

The CHAIRMAN. Will you state the companies you represent, Mr. Hunter?

Mr. HUNTER. The Hunter Arms Co., the Baker Gun & Forging Co., Parker Bros. Gun Co., Hopkins & Allen Arms Co., A. H. Fox Gun Co., Lefever Arms Co., H. & D. Folsom Arms Co., Ithaca Gun Co., N. R. Davis & Sons, and Harrington & Richardson Arms Co.

Paragraph 31 of the proposed new tariff provides a duty of only 35 per cent ad valorem on double-barrel breech-loading shotguns, which is the only line we represent. That is proposed to be substituted for the present tariff, which provides:

[Schedule C, paragraph 157.]

Double-barreled sporting breech-loading shotguns, combination shotguns and rifles, valued at not more than five dollars, one dollar and fifty cents each and in addition thereto fifteen per centum ad valorem; valued at more than five dollars and not more than ten dollars, four dollars each and in addition thereto fifteen per centum ad valorem; valued at more than ten dollars, six dollars each; double barrels for sporting breech-loading shotguns and rifles, further advanced in manufacture than rough-bored only, three dollars each; stocks for double-barreled sporting breech-loading shotguns and rifles wholly or partially manufactured, three dollars each; and in addition thereto on all such guns and rifles valued at more than ten dollars each, and on such stocks and barrels, thirty-five per centum ad valorem; on all other parts of such guns or rifles and fittings for such stocks or barrels, finished or unfinished, fifty per centum ad valorem: *Provided*, That all double-barreled sporting breech-loading shotguns and rifles imported without a lock or locks or other fittings shall be subject to a duty of six dollars each and thirty-five per centum ad valorem.

The reason that was gone into so minutely in the old bill was that the foreigner shipped gun barrels into New York, partly finished gun stocks into Boston, and locks into Philadelphia and brought them together and assembled them here and avoided the specific duty. That is why the matter was covered so minutely in the last bill.

Senator HEYBURN. That does not include short guns—pistols?

Mr. HUNTER. No; just double-barreled breech-loading shotguns.

Senator HEYBURN. I observe that paragraph 31 of the proposed law does include pistols.

Mr. HUNTER. That may be so; but I am representing only the double-barreled breech-loading shotgun industry.

Senator HEYBURN. I inquired because, in my judgment, there should be a prohibitive duty upon pistols. I do not think they should be imported at all.

Senator McCUMBER. Why do you think there should be a prohibitive duty on pistols more than on shotguns?

Senator HEYBURN. I would make pistols contraband if I had my way. Nobody but a coward or a public officer has occasion to use a pistol.

Mr. HUNTER. We beg to submit our opinion that if the proposed change were permitted, it would be absolutely fatal to the double-barreled gun industry in this country, because the cost of production of a double-barreled shotgun here, as compared with the cost abroad, is very much in excess of 35 per cent (the difference in cost being made up almost entirely in the difference of wages paid in Belgium as compared with the wages paid in the gun factories in the United States). We cite Belgium, as seven-eighths of the guns imported into the United States are from that country. The introduction of the new tariff would be the means of closing 75 per cent of the factories in this country.

The average wage paid to the laboring man employed in the Belgium factory is from 2 to 4 francs per day (from 40 to 80 cents), as compared with from \$2 to \$3 per day in this country. The difference in cost of raw material here and abroad may be overlooked, as it is a small part of the total cost of a gun. To illustrate: A gun costing \$20 to manufacture here represents \$16 for labor and \$4 for material. This labor can be bought in Belgium for \$5.35, making the total cost of the gun there \$9.33, or, after paying \$4 specific duty and \$1.39 ad valorem under the present law, it would be imported for \$14.62, which fully demonstrates our contention that the proposed reduction of tariff would be fatal to our business and is a strong argument in favor of an advance rather than a decline in the tariff.

The double-barreled gun manufacturers in this country can not in any sense be considered a trust, as there is absolutely no understanding between any two gun factories with regard to prices; but, on the contrary, the competition in this line is extremely keen, which may be demonstrated by the fact that within the last 10 years the following manufacturers of double-barreled guns have gone out of business: Syracuse Arms Co., Baltimore Arms Co., Philadelphia Arms Co., Wilkes-Barre Arms Co., Mounds City Gun Co., D. M. Lefever & Co., Parry Arms Co., Torkelson Manufacturing Co., W. H. Davenport Arms Co., Hollenbeck Gun Co.; and in addition to these the Colt's Patent Arms Co. and the Remington Arms Co. have both discontinued the manufacture of double-barreled guns, presumably because that branch of their business was not a profitable one.

The double-barreled gun is purely a sportsman's weapon, and is in a class by itself. The present tariff is by no means prohibitive to the importation of foreign-made guns, which is shown in the fact that in 1907 44,185 double-barreled shotguns were imported, which, we believe, was about one-half the number manufactured in this country during that year. We quote the figures of 1907, as this is the last year, as far as we can determine, during which the gun importations have been segregated to show the number of foreign shotguns brought into this country.

During the last 15 years the prices of American-made guns have very materially declined, while quality has increased and our wage scale has advanced 35 per cent. In the manufacture of Belgian guns a considerable portion of the help is composed of women and children under conditions which would not be tolerated in this country.

The proposed change in tariff on double-barreled guns seems contrary to every avowed principle of all parties. Guns are purely a luxury and in no sense a necessity, and we feel we are entitled to and should have a protection equal to the difference in cost of production in this and foreign countries, and we can not see any logical reason that can be advanced for the proposed change.

Our interests are large, and the men, women, and children depending on us number many thousands, and to precipitate the downfall of this industry, which the proposed measure would do, seems conspicuously unfair, inasmuch as there is no class that can benefit by the change. It is the policy of all Governments to foster home industry with every available means.

I wish to say, gentlemen, that it is absolutely necessary to have the present protection in order to manufacture shotguns in the United States. If the duty should be reduced to 35 per cent, in two years at least 75 per cent of us would be out of business. You can not make shotguns here on a basis of 35 per cent protection in competition with the Belgian manufacturers.

Senator LODGE. Why would not all of you go out of business? Why would 25 per cent remain? You say 75 per cent would go out of business.

Mr. HUNTER. There are a few that make extremely high-grade guns that might stay in business. I do not know any reason why they would not all be wiped off the slate.

Senator CLARK. Let me ask you this question: In the manufacture of shotguns does not the fact that certain parts or improvements are patented cut some figure in the industry?

Mr. HUNTER. It does to some extent, but almost all the patents on shotguns have run out. There are a few that have been taken out within the last few years. We have a patent now on an automatic ejector and a single trigger. All the other patents have run out, as the gun has been made about 25 years. Then, too, the American manufacturers that have been making shotguns from 25 to 40 years have a reputation that will last awhile. But it will not last long in the competition to-day against the foreign trade that can sell the guns at much less cost.

A shotgun is purely a luxury. In the home market the competition is hotter, I think, than in any other line. I do not believe there is to-day in the American market any other article that has the same brains and effort put in it that is sold as cheaply as a shotgun. I do not think there is anything that will compare with it.

Senator McCUMBER. The present duty is a specific duty, is it not?

Mr. HUNTER. Ad valorem and specific.

Senator McCUMBER. It is equivalent to about 50 per cent ad valorem?

Mr. HUNTER. I have not made the comparison. It varies. You see, guns are imported at \$200 and \$300 apiece. A gun that was imported at a value of \$250 would have a specific duty of \$6 and a 35 per cent ad valorem duty under the present law.

Senator McCUMBER. Taking all the importations, I see that under the Dingley tariff the ad valorem duty was about 51 per cent, and under the Payne tariff law for 1910 it was about 46½ per cent, while for 1911 the average was about 45½ per cent.

Senator LODGE. That is the average?

Senator McCUMBER. The average. What is the value of the production of guns in this country? Do you know?

Mr. HUNTER. I do not know, sir. We make between \$300,000 and \$400,000 worth.

Senator McCUMBER. Do you know what proportion the imports bear to the domestic production?

Mr. HUNTER. The import has been materially reduced as the manufacturers in this country have been able, with the protection, to increase their capacity and decrease the cost. We are selling some guns to-day at just half what we did 15 years ago.

Senator LODGE. You said a little while ago that there were 44,000 imported.

Mr. HUNTER. In 1907.

Senator LODGE. And you thought that was about half the American production?

Mr. HUNTER. About half as many as were manufactured in this country at that time.

Senator LODGE. Then about a third of the guns used here are of foreign manufacture?

Mr. HUNTER. What are known as the automatic shotgun and the pump gun have taken the place of the imported gun, too, to quite an extent in this country.

Senator McCUMBER. You would not say that to-day 25 per cent of the guns used in the United States are imported?

Mr. HUNTER. No, sir; I do not think so.

Senator McCUMBER. And you have no idea whatever of the value of the guns produced in this country?

Mr. HUNTER. I had the Government figures on that point, and I wired home for them, but they have not reached here. That is the only way I have of getting the information—through the Government. One manufacturer would not tell another just how many he was producing.

Senator McCUMBER. I notice that in 1910 the value of the imports was \$140,000. Would you say that we produced \$1,000,000 worth a year in this country?

Mr. HUNTER. It would be purely a guess. I am not competent to state. I wired home for the Government report I have spoken about. I had it at home and I sent for it; but I did not get it in time. It was not here this morning, as I expected it would be. That report all that information.

I should like to ask the committee, too, what our position is on gun barrels. Under the present law they come in free from Belgium. Under the new bill there is no mention of them, so far as we can find, anywhere. Where does that put them?

Senator CLARK. Paragraph 31 says: "Including barrels, further advanced than rough-bored only."

Mr. HUNTER. Yes; that is covered in this bill, but I am speaking of the rough-bored barrels now.

Senator LODGE. They come under the basket clause.

Mr. HUNTER. What is that—free, the same as at present?

Senator LODGE. Manufactures of iron not otherwise provided for. That clause carries a 25 per cent duty under the House bill and 45 per cent under the Payne Act.

Senator SMOOT. Paragraph 31 says:

Breech-loading shotguns and rifles, combination shotguns and rifles, and parts thereof and fittings therefor.

The barrels would come under the language "and parts thereof."

Senator CLARK. No; because immediately thereafter it says "including barrels further advanced than rough-bored only." That would exclude those that were less advanced than rough-bored.

The CHAIRMAN. That is not the only obscure element in the bill.

Senator SMOOT. No; but it says here "breech-loading shotguns and rifles, combination shotguns and rifles, and parts thereof and fittings therefor." That is including these.

Senator CLARK. But if you include those, you definitely exclude anything under that stage of manufacture.

Senator McCUMBER. By including only barrels further advanced than rough-bored, you must necessarily exclude those which are not advanced to that stage. What is the duty on those? They would have to come under the basket clause of 25 per cent, would they?

Mr. HUNTER. We are personally very much interested in having those remain on the free list.

Senator CLARK. They are on the free list now?

Mr. HUNTER. They are now; yes, sir. If any gentleman would come before this committee and state that he would go into the manufacture of shotgun barrels if he could get 20, 30, 40, or 50 per cent protection, I would vote to put it on. But there is no one in that position here that could make them in the small quantities that they are being consumed. It takes an output of a good many hundred thousand pair for a man to be able to make them profitably. The figured barrels never have been successfully made in this country. The plain steel barrels have been made here to some extent.

Senator McCUMBER. Does the American manufacturer use the unfinished importation?

Mr. HUNTER. He uses what are designated in the present bill as "gun barrels rough-bored." That is what we import.

Senator McCUMBER. To what extent do you use those?

Mr. HUNTER. Entirely.

Senator McCUMBER. You do not manufacture any of them?

Mr. HUNTER. No, sir. We have no facilities for making shotgun barrels.

Senator McCUMBER. Does any other company make them?

Mr. HUNTER. There are a few that make them for themselves only. None are made to be sold. We never have been able to buy any in this country.

Senator McCUMBER. Why is that—because they can manufacture them so much cheaper abroad that it does not pay?

Mr. HUNTER. Yes, sir; it would not pay.

Senator McCUMBER. Then why not put such a tariff on them that they can be made here?

Mr. HUNTER. I will vote to put 50 per cent duty on them if anybody will come here and say that he will go into manufacturing them on that basis.

Senator McCUMBER. Is there any reason why we can not manufacture them here if we have a sufficient duty?

Mr. HUNTER. They never have been able to make a figured barrel in this country. Years ago they tried to make what they call a

figured barrel, Damascus and twist; but the effort was never successful, and it has been discontinued.

Senator McCUMBER. Why?

Mr. HUNTER. It is one of those things that have been passed down in Belgium from generation to generation, and from the father to the son, and they seem to know how. We never have been able to do it here successfully. You could not get one of those barrels made here if you put 300 per cent duty on it.

Senator McCUMBER. Could you not make them here if you had the workmen here to make them?

Mr. HUNTER. Years ago they imported workmen, but for some reason or other they were not successful. It was before I was in the gun business.

The CHAIRMAN. Is there anything else, Mr. Hunter?

Mr. HUNTER. I simply want to impress on your minds the fact that we must have this protection in order to live.

Senator SIMMONS. I was not present when you began your statement. What kind of gun is it that you are talking about?

Mr. HUNTER. I represent double-barrel breech-loading shotguns, and no other kind; not the repeating or any of the other guns. I have nothing to do with them.

Senator SIMMONS. Did I understand you to say that we could not make them in this country?

Mr. HUNTER. No. That statement referred to the gun barrels.

Senator SIMMONS. We can not make the gun barrels?

Mr. HUNTER. We never have been able to make successfully in this country what are called the figured gun barrels. They tried it some years ago.

Senator SIMMONS. You are not asking for protection on them?

Mr. HUNTER. No, sir.

Senator SMOOT. The Democrats have put it on.

Mr. HUNTER. They put a duty on them. They are at present on the free list.

Senator SIMMONS. I suppose they put it on for revenue, then.

Mr. HUNTER. I can not object to it if they need it for revenue, but there is no protection in it. I am a protectionist.

Senator McCUMBER. Then the effect of the bill is to increase the cost of what, to you at least, is a raw material, and to diminish the protection on your finished product?

Mr. HUNTER. Yes, sir.

Senator SIMMONS. As to the parts of the gun that you make, are you troubled now with foreign competition?

Mr. HUNTER. We have some. It does not conflict with us as much as it does with some cheaper guns. I think the average import price is about \$4.50, or between \$4.50 and \$5. That is largely the import price of guns. Of course they run all the way up to three or four hundred dollars apiece, but those are few.

Senator SIMMONS. They do not come in much?

Mr. HUNTER. Not nearly so much as they used to.

Senator SIMMONS. You American producers practically have the market to yourselves, do you not?

Mr. HUNTER. We would like to. There were 44,000 foreign-made guns shipped into this country in 1907. We have not the statistics later than that.

Senator SIMMONS. Were any shipped out from this country?

Mr. HUNTER. I presume so. We are working hard to work up a South American trade. We are getting quite a nice trade in South America.

Senator SIMMONS. Anywhere else?

Mr. HUNTER. No, sir. We never have been able to ship them to England or Scotland or Belgium.

Senator KERN. Do you meet the English manufacturer in competition in South America?

Mr. HUNTER. We have not been at that long enough to know. We have been successful in getting a trade started there.

Senator KERN. You expect to, do you not?

Mr. HUNTER. Yes, sir; we hope to.

Senator KERN. And you will be able to compete with him?

Mr. HUNTER. We could not compete with Belgium. We may be able to compete with England.

Senator KERN. You are on equal terms with the world down there in that market, are you not? The tariff is against them just the same as it is against you, in South America?

Mr. HUNTER. I should presume that would be so. I do not speak of it as of my own knowledge, because we have done our business entirely through New York importers, and sold the guns there.

Senator McCUMBER. Can you compete with either Belgium or Great Britain in what is known as the general stock trade in guns, even in South America—the cheaper guns?

Mr. HUNTER. We could not on the cheap guns; not on \$5, and \$6, and \$7 guns.

Senator McCUMBER. You could compete only in some special make for which there was a demand, and which probably was not manufactured in the old country?

Mr. HUNTER. I think that is true.

Senator KERN. In the case of the classes of goods in which you compete in South America with these foreign manufacturers, you ought to be able to compete with them in your own territory; ought you not?

Mr. HUNTER. It is fair to assume that we have more protection here. I do not know what the duties are down there. I am not posted on that subject.

Senator KERN. If you could meet them in South America and compete with them there, could you not compete with them still better under like conditions in your own country?

Mr. HUNTER. I do not know what duty they have to pay to get into South America.

Senator KERN. Whatever they have to pay you have to pay the same duty?

Mr. HUNTER. They have had that territory entirely, and we are just getting in there in a small way.

Senator KERN. You believe you are going to be able to compete with them there?

Mr. HUNTER. We are going to try very hard to do so.

Senator SMOOT. You could not run your business very long if you had to depend on that trade, could you?

Mr. HUNTER. We could not run a week.

The CHAIRMAN. That is all, Mr. Hunter.

Mr. HUNTER. Thank you.

**STATEMENT OF MR. W. W. LUKENS, REPRESENTING THE
ALAN WOOD IRON & STEEL CO., OF CONSHOHOCKEN, PA.**

Mr. LUKENS. Mr. Chairman, in the last month I have been ill, and have been unable to prepare anything in the nature of a statement containing any figures or data.

Senator CLARK. In what section of the bill are you especially concerned?

Mr. LUKENS. We are interested in paragraphs 1, 4, and 9 of the proposed measure.

At the time the present tariff law was being considered here in Washington, when it became evident that it was likely to carry considerably lower duties in Schedule C, we came down here and recommended reductions in raw materials, and offered very cheerfully to accept compensating reductions in the duties on our products. We did that in order to relieve the district and ourselves of the somewhat onerous conditions under which we were laboring at that time, and for a number of years before, in the matter of raw materials.

Senator CLARK. What district do you refer to?

Mr. LUKENS. We are in eastern Pennsylvania, and the question of the supply of ore there was a somewhat grievous one. We felt at that time that that position was logical and sound and fair, and I know we were very sincere when we said that the reductions we recommended in the duties on our finished products were as great as they should be.

Senator SIMMONS. You did not ask at that time that you be given your ore, your raw material, free of duty? You suggested a reduction of the duty?

Mr. LUKENS. Our own brief asked for free ore.

Senator SIMMONS. You got that in this bill.

Mr. LUKENS. We have it in the proposed bill.

The CHAIRMAN. Mr. Lukens is talking about what he asked the committee for in 1909; are you not, Mr. Lukens?

Mr. LUKENS. Yes.

Senator SIMMONS. I did not understand that. I thought you were talking about the present bill.

Mr. LUKENS. The present law gave us almost what we had asked for. Having worked under it for three years, we have come here to say that we think it is an extremely good law, and we want to protest against any change in it in any way at all.

Senator KERN. Do you want to protest against free iron ore?

Mr. LUKENS. Of course, if Congress wants to put ore on the free list, we would be very foolish to object to it. But, seriously, the duty of 15 cents does not make enough difference to count at all; and it has brought you and will bring you very considerable revenue, and it seems to me it would be wiser to leave it on for that reason. It is a tax that no one feels, and I am quite sure no one seriously objects to it. Certainly we do not, although we use large quantities of foreign ore.

Our objection to having the law changed at the present time, gentlemen, is simply this: It never has been tested; and that is due to international trade conditions. Since 1909, with the exception of a few months at the close of that year and in the beginning of 1910, the steel business in this country has been in a deplorably poor condi-

tion, and prices have been extremely low. On the other hand, business in England and on the continent has been better than it has been for years. At this moment it is unusually good, and their prices are unusually high. A day or two ago I picked up a copy of a British iron-trade journal, and was rather amazed to read the enthusiastic reports of the condition of their business in all of their markets.

Senator SIMMONS. Would you object to putting in the record at that point in your statement exactly what the British price is in the British home market as compared with our home price in our home market? You have a trade journal at hand, to which you referred.

Mr. LUKENS. I could make up a statement from this. I have not it ready.

Senator SIMMONS. Will you make up such a statement and give it to the committee?

Mr. LUKENS. I shall be very glad to do so.

Senator SIMMONS. I hope you understand exactly what I want. I want you to give the present price in England as compared with the present price in America.

Mr. LUKENS. I think I understand.

Senator McCUMBER. Covering what articles?

Senator SIMMONS. The article he is talking about.

Senator McCUMBER. I do not know just exactly what he was talking about.

Senator SIMMONS. I do not, either; but I thought he was saying the British price was higher than ours.

Mr. LUKENS. I am speaking, of course, with reference to the articles in which we are interested.

Senator McCUMBER. What articles?

Mr. LUKENS. They are covered in paragraphs 1, 4, and 9 of this bill.

Senator KERN. What is it that you manufacture?

Mr. LUKENS. We manufacture pig iron, billets, ingots, blooms, slabs, light sheets, and plates.

Senator KERN. Are you opposed to taking the tariff tax off of billets and blooms?

Mr. LUKENS. I am very much opposed to taking it off; yes, sir.

Senator KERN. This bill, I think, makes it 10 per cent.

Mr. LUKENS. Yes.

Senator KERN. The Payne-Aldrich tariff bill undertook to reduce it one-half?

Mr. LUKENS. It did reduce it very considerably; yes.

Senator KERN. Did it reduce it at all? Was there not a "joker" in the bill that confined the operation of the bill to billets of a certain value, of which there were none in existence? And did not the tariff remain practically the same, \$6.70 or \$6.72 a ton?

In other words, did the rate fixed by the Payne-Aldrich bill—which was about one-half what it was under the Dingley bill—have any operation at all? Did not the so-called "joker" in the bill, which confined it to billets of a certain value, leave the Dingley law unchanged?

Mr. LUKENS. I should say not, sir, for the reason that within the past year I know of one importation of billets made by one of our own customers, which prevented us from having their business for quite a considerable time.

Senator KERN. Do you know what tariff they paid on the billets they imported—whether they paid, under the Dingley law, the \$6.70 rate, or under the Payne-Aldrich law the rate of three dollars and something?

Mr. LUKENS. The Payne law was in effect, so they must have paid the Payne duty.

Senator KERN. It was in effect, but the Payne law applied only to billets of a certain value. I am informed by certain manufacturers that there are no billets of that value, and therefore that the operation of the Dingley law continues to the present time.

Mr. LUKENS. I can not tell you what duty they paid.

Senator McCUMBER. Under the Dingley law the average ad valorem under section 1 was 27.95 per cent.

Senator KERN. It was so much a ton.

Senator McCUMBER. Yes; but the equivalent ad valorem under the Payne tariff in 1910 was 16.87 per cent and in 1911, 15.66 per cent. So there was a very decided reduction.

Senator KERN. Oh, yes; but the point I am making is that it is claimed by these independent manufacturers for whom the billet is the raw material that the Payne-Aldrich tariff law never went into effect at all on account of the "joker" in the law, which confined its operation to billets of a certain value. They claimed that there were no billets of that value, and therefore that the Dingley law remained practically in effect.

Senator McCUMBER. That is, on the billets?

Senator KERN. On the billets. I have in mind a factory that uses nothing but steel billets as its raw material; and they complain very bitterly on that proposition.

Mr. LUKENS. Speaking broadly, we consider that this law never has been tested on account of those international trade conditions. We never have been at what you might call the importing point in our business since the Payne law went into effect.

Senator KERN. At what price do you sell steel billets, or at what price have you been selling them during the last year? How much a ton?

Mr. LUKENS. From \$21.40 or \$21.50 a ton to \$22.50, with a freight allowance of perhaps a dollar, which would make the net price to us perhaps a dollar less.

Senator KERN. I think it has appeared in testimony before congressional committees that billets are manufactured as cheaply in this country as in any country in the world.

Mr. LUKENS. I do not know about that.

Senator KERN. If that is true, that steel billets are manufactured as cheaply here as at any place in the world, what reason is there for having any tariff at all on steel billets except for the purpose of revenue?

Mr. LUKENS. If your premise is true, I fancy your conclusion is correct. Personally, I do not think your hypothesis is correct. I will tell you why, if you will pardon me. I think this very matter will prove it. Under booming conditions in England, and with an acute depression in the steel business in this country, the prices quoted for billets in this trade magazine are less than ours. Yet we are losing money, and I suppose when they have good business in England they make it.

Senator KERN. You say you lose money on billets that you sell for \$22 and \$24 a ton?

Mr. LUKENS. At \$24 we would not lose. At \$22 we would lose a little; not much.

Senator KERN. The tax on billets is a direct tax on the manufacturer who use billets for his raw material, and who manufactures nails and fence wire and fence.

Senator LODGE. What is the price of billets in England?

Mr. LUKENS. A little less than it is here; almost the same, I think, to-day. For instance, basic billets at Sheffield are 5/5—five pounds, five shillings.

Senator SIMMONS. Per ton?

Mr. LUKENS. Yes, sir.

Senator LODGE. That is, roughly, \$26?

Senator SIMMONS. You said you could make money on a price of \$24?

Mr. LUKENS. The continental price on 4-inch billets is 90 shillings. That is about \$22.

Senator LODGE. Then you are selling your billets at a lower price than they are being sold for in England?

Mr. LUKENS. It would look that way, sir.

Senator KERN. Then there are not likely to be any imported?

Mr. LUKENS. I should think not under present conditions. That is exactly the point I want to make. With things in the condition they are here we certainly will not have any importations, and until the present law has been tried and tested under conditions that would permit of importations I protest against having any change made in it. It seems to me it is exactly the same as if a man built a bridge to carry at any one point a maximum load of 50,000 pounds, and when he finishes the bridge and the engineers tell him it is ready to be tested he says, "Well, let us put 100,000 pounds on it to begin with."

This law never has been tried. I mean by that it never has been tried under actual conditions of importation. We do not know whether or not we are sufficiently protected with the reduced duties that the Payne law carried.

Senator SIMMONS. Then about the substance of what you are saying is this: That at present billets are selling in Europe for several dollars a ton more than they are selling for in this country, and that you want the duties to remain, not because they are necessary now under present conditions—because you say no English billets can be sold in this country for the price they are selling for in England—but because you are afraid that at some time in the future under different business conditions than those that exist in this country now England may be able to come in here and undersell you?

Mr. LUKENS. I think you have stated my position exactly, sir.

Senator SIMMONS. That is what I understood.

Senator McCUMBER. How does the present price in England compare with the price in England of five or six years ago?

Mr. LUKENS. It is immensely higher, I think. I can not give you the exact figures.

Senator McCUMBER. Then, if the conditions in England or in the old country should become normal again, they might be able to import into this country if the tariff were lowered? Is that what you mean?

Mr. LUKENS. With normal conditions here; exactly.

Senator SIMMONS. In other words, you want the tariff not under present conditions but under conditions that are purely speculative?

Mr. LUKENS. No, sir; I think that is hardly a fair criticism of my position.

Senator McCUMBER. If I understand correctly, you want it based upon normal conditions both in this country and in the old country rather than upon abnormal conditions in both of them?

Mr. LUKENS. That is correct. I should like to see the Payne law tested.

Senator KERN. What is the cause of the present high price of billets in England? Is it a case of large demand and short supply?

Mr. LUKENS. I presume it is a case of a large demand with a normal supply.

Senator KERN. England ships billets all over the world, does she not?

Mr. LUKENS. Yes; I suppose so.

Senator KERN. England has a very large export trade in billets?

Mr. LUKENS. I have no information on that point.

Senator LODGE. If you are selling billets at \$21 to \$22.50 a ton, as you have just said you are, why can you not sell billets in England where the price is \$26?

Mr. LUKENS. We do not seem able to make a low enough price to do business there when we add the ocean freights and cost of exporting.

Senator KERN. How is the price of billets fixed in this country?

Mr. LUKENS. By the law of supply and demand, I should say.

Senator KERN. Is there sharp competition in billets in this country?

Mr. LUKENS. It is horrible.

Senator KERN. What concern is the greatest producer of steel billets?

Mr. LUKENS. Undoubtedly the United States Steel Corporation, I think. But they are not by any means always the largest sellers, because they consume their own billets to a large extent.

Senator KERN. Are they an important factor in determining the price?

Mr. LUKENS. I should say they have a very considerable influence in the market; yes. They are distinctly not the only factor in it, however.

Senator KERN. A gentleman representing a steel mill in the West who was here the other day was insisting on free billets, claiming that if the product of his factory was put on the free list, nails and wire, he ought to have his material free.

Mr. LUKENS. His position is quite logical.

Senator KERN. The same gentleman claimed—I do not know whether it was in the hearings or not—that billets could be manufactured as cheaply here as anywhere in the world, and therefore that there was no necessity at all for a tariff on billets.

Mr. LUKENS. I can not prove it with figures, but I do not believe that.

Senator SIMMONS. I understood you to say just now that, with billets selling in England for somewhere around \$3 a ton more than you sell for here, you were not able to sell your billets in England because of ocean freights. I think you said that in response to Senator Lodge's question, did you not?

Mr. LUKENS. We never have been able to sell steel billets outside of the United States. We have tried and failed.

Senator SIMMONS. If billets are worth \$3 more a ton in England than they are here, you could sell your billets in England for more than you are getting here but for the freight rates?

Mr. LUKENS. Yes; that would be true.

Senator SIMMONS. I understood you to say that because of the freight rates you were not able to send your billets to the higher English market. That being so, before England could compete with you here, as she would have to pay freight rates to get into this market, the price here would have to be at least \$3 higher than in England, would it not?

Mr. LUKENS. I can not answer exactly as to that. I do not know that the figures you mention are——

Senator SIMMONS. The freight rate would be against the Englishman in coming to this market, just as you said the freight rate was against you in going to England?

Mr. LUKENS. As a general principle, of course that is true.

Senator SIMMONS. Therefore if the price of billets in this country was \$3 or \$4 or \$6 higher than it is now, you would not, under present conditions, have any danger from European or British competition, would you?

Mr. LUKENS. I think we would, if we were \$3 or \$4 higher.

Senator SIMMONS. As they have to pay the freight over here, they would not come to this market and sell in competition with you unless this market was higher than the English market to the extent of the freight, would they?

Mr. LUKENS. I do not know exactly how much higher we would have to be here to induce importations. The exact point at which they might be likely to begin I can not give, and I do not believe anyone can give you any figures on it.

Senator SIMMONS. According to what you said about your inability to sell in the English markets notwithstanding the price there is over \$3 higher than it is here, the freight rate between England and our ports here would be in itself a protection to you to the extent of about \$3 a ton, would it not?

Mr. LUKENS. Do you mean the freight?

Senator SIMMONS. Yes.

Mr. LUKENS. It might be as high as \$3. Ocean freights are extremely variable.

Senator LODGE. What is your freight now to the seacoast?

Mr. LUKENS. To New York Harbor?

Senator LODGE. Yes.

Mr. LUKENS. On billets?

Senator LODGE. Yes.

Mr. LUKENS. \$1.80 a gross ton.

Senator LODGE. What is the ocean freight?

Mr. LUKENS. I have no recent information about ocean freights on billets. I should suppose to-day, bottoms being rather scarce, it would be at least \$2.

Senator LODGE. \$2 a ton?

Mr. LUKENS. Yes, sir.

The CHAIRMAN. Have you anything further?

Mr. LUKENS. There are one or two specific items, Senator, that I should like to mention. They have been touched upon already by other gentlemen who have appeared before you. I should like to call your attention particularly to the increased duty of ferromanganese under this bill.

Senator LODGE. We went into that very fully.

The CHAIRMAN. Yes; the committee went into that.

Mr. LUKENS. If that is clearly understood, I need say nothing more about it.

The CHAIRMAN. That is thoroughly understood.

Senator McCUMBER. Do you understand that any billets were imported into this country in 1910 or 1911?

Mr. LUKENS. I have not the figures; but I know of one importation, because they were bought by a customer of ours. That was during 1911, I think.

Senator McCUMBER. From where?

Mr. LUKENS. I think from Germany. The billets were bought by a customer of ours, and in consequence we lost his trade.

Senator McCUMBER. Then, notwithstanding the high prices in 1911, they were able to import some billets into this country from some foreign country?

Mr. LUKENS. In that case, most certainly.

Senator McCUMBER. I notice that under the heading of "steel ingots, cogged ingots, blooms, and slabs, * * * billets and bars," etc., we imported in 1910, 85,000,000 pounds, and in 1911 over 80,000,000 pounds. There is nothing here to show, of course, what portion of these importations are billets, but I assume some of them were. Do you know anything about that?

Mr. LUKENS. I know of only that one case. That is the only one that has come to my notice—the only time we have been interfered with.

Senator McCUMBER. You know, at least, that there were importations in 1911 from Germany?

Mr. LUKENS. I know of that one.

Senator SIMMONS. Do you know of any exportations of steel billets in 1911?

Mr. LUKENS. I have no information on that subject.

Senator SIMMONS. I supposed that, being in the business and being here before the committee to advise us about the advisability of putting a tariff on these products, you had looked into the question of importations and exportations. It is a very pertinent one. Do you tell the committee that you do not know whether there were any exportations of steel billets from this country?

Mr. LUKENS. We ourselves have sent a few to Canada. I am familiar with my own business, but really I can not tell you whether or not billets have been included among the rather large exports made by the Steel Corporation and two or three other large manufacturers. I am without that information.

Senator SIMMONS. Do you not think the facts connected with the importation and the exportation of this article are among the most pertinent facts to be taken into consideration in fixing a tariff? And do you feel that you are quite prepared to advise us as to what we ought to do about this, if you have not studied those facts?

Senator CLARK. Perhaps he assumes that we know something about it.

Senator SIMMONS. We may, but he has come here to advise us.

Mr. LUKENS. Oh, scarcely that.

Senator SIMMONS. I thought so. I thought that was the purpose of your appearance.

Mr. LUKENS. Rather to protest than to advise.

The CHAIRMAN. I think that is all, Mr. Lukens.

Mr. LUKENS. Thank you very much, gentlemen.

Senator SMOOT. So that the record will show that there is a reduction in the duty on steel billets in the Payne-Aldrich tariff bill, and that there is no "joker" in the bill, I want to make a statement as to the facts.

In the Payne-Aldrich bill there is a division as to value, as follows:

All of the above valued at three-fourths of one cent per pound or less, seven-fortieths of one cent per pound.

In the Dingley bill the valuation began at 1 cent a pound, with the lowest rate of three-tenths of a cent a pound. Therefore that division is a reduction. Then, beginning with every division thereafter, the values have been increased until they get to 13 cents per pound, and the rates have been decreased. The showing is, without a doubt, that there is a reduction, and the records of the equivalent ad valorem also show the same thing.

STATEMENT OF MR. W. A. KING, OF MERIDEN, CONN., REPRESENTING THE PARKER BROS. GUN CO.

The CHAIRMAN. Mr. King, you are the superintendent of the works of the Parker Bros. Gun Co., are you not?

Mr. KING. Yes, sir.

The CHAIRMAN. I am informed that you are familiar with the wage question here and abroad.

Mr. KING. Yes, sir; to a very limited extent abroad.

The CHAIRMAN. I think the committee would like to be enlightened on that point.

Mr. KING. I can speak only for our own company in so far as wages go. For instance, on the question of barrels, Mr. Hunter informed your committee that some years ago some of the manufacturers of this country attempted to make barrels. We made some barrels; we built an addition to the factory, put in some up-to-date machinery, and brought some men from Belgium to show our blacksmiths how to do it. We had to pay our blacksmiths not less than 32 cents an hour, up to 40 cents, and we gave it up, because the highest wages paid the Belgian blacksmiths for exactly the same grade of barrel are 11 cents per hour. That is what is paid to the highest-priced man employed.

Senator SMOOT. In Belgium?

Mr. KING. In Belgium; yes, sir. That is where all of our barrels are imported from, with the exception of our very high-grade Whipple steel barrels.

Senator LODGE. Those are rough-bored barrels?

Mr. KING. Rough-bored only.

The CHAIRMAN. Do you make any barrels at all?

Mr. KING. We make no barrels whatever.

Senator SMOOT. You say you represent the Parker Gun Co.?

Mr. KING. The Parker Gun Co.; yes, sir.

Senator SMOOT. Your firm makes all high-class goods?

Mr. KING. We make all high-class goods and only a limited amount of them. We have no competition in this country on the cheap line. We do not enter into competition with the cheap manufacturers of this country. But we do make high-priced goods, and so meet competition with the high-priced foreign manufacturers.

Senator SMOOT. You are interested only in goods the value of which is more than \$10?

Mr. KING. Yes, sir.

Senator SMOOT. The duty on those is \$6 each and 35 per cent ad valorem.

Mr. KING. Yes, sir.

Senator SMOOT. I notice that there were only 658 of those guns imported into the United States in 1911. Is not that a small number?

Mr. KING. Speaking for my company only, our lowest-priced gun is \$37.50, and they range from that up to \$525.

Senator SMOOT. How many guns do you make each day?

Mr. KING. Twelve a day is all we make.

Senator SMOOT. Your whole factory?

Mr. KING. The whole factory output is 12 guns a day, counting the entire line, from \$37.50 to \$525.

The CHAIRMAN. How many men do you employ?

Mr. KING. About 100, at present. We made more than that some years ago. Our limit is 30. It is absolutely impossible for us to turn out more than 30 guns a day.

Senator SMOOT. Then what I thought was a small number was really quite a proportion of the guns used of that class?

Mr. KING. It is a good, big proportion. We meet those guns in the vicinity of New York. We have a very good trade in high-priced guns, which has been steadily decreasing, owing to the fact that the importers can bring into the country very finely ornamented, very finely built imported guns; and as a result of the cheap labor over there they can beat us on ornamentation and finish, but not on quality.

Senator SMOOT. A man that wants to buy a gun of that kind is not haggling, then, over a dollar and a half or so on price, is he?

Mr. KING. No, indeed; no, sir.

Senator SIMMONS. How many of the kind of guns you manufacture are bought or sold in this country during a year?

Mr. KING. How many guns that we manufacture?

Senator SIMMONS. No; of the kind that you manufacture.

Senator CLARK. The class you manufacture.

Senator SIMMONS. What is the local demand, the local consumption?

Senator SMOOT. Of these high-class guns.

Senator SIMMONS. Of these high-class guns that you make.

Mr. KING. Do you refer to importations?

Senator SIMMONS. No; the entire domestic consumption.

Mr. KING. I can not answer for the other companies. I do not know. We have no interest whatever in them. There is very strong, fierce competition in the double gun business; and I have no knowledge whatever of the output of other factories.

Senator SMOOT. Are there other factories that are larger than your factory?

Mr. KING. Oh, yes, indeed; yes, sir. We are one of the smallest, if not the smallest.

Senator SMOOT. Are they manufacturers of high-grade guns?

Mr. KING. The L. C. Smith people, represented by Mr. Hunter, who appeared this morning, manufacture a complete line, from a low-priced gun to the same grade guns that we do. Mr. Hunter talked about exporting his goods and meeting competition. That is something we can not do. We have absolutely no export. It does not amount to anything. In fact, last year we exported to France six guns. Somebody stole them, so we exported six more.

Senator SIMMONS. Is that all you exported last year?

Mr. KING. To France; yes, sir.

Senator SIMMONS. How many did you export elsewhere?

Mr. KING. We sent possibly 50 to Manila, and I think 10 to Hong-kong.

Senator SMOOT. They are generally used by Americans in those countries, are they not?

Mr. KING. This exportation to France was by a French dealer, who desired to put in a representative American gun, in competition with some other guns that he carried.

Senator SIMMONS. When you sold these guns in Hongkong and France, did you get about the same price that you do here?

Mr. KING. We got just exactly the same price. The ones that went into Manila were all our cheapest guns, selling for \$37.50 each. The six guns that went to France were \$80 guns.

Senator SIMMONS. You say you do not know about how many of those guns are made by others. You know how many you made. How many did you make last year?

Mr. KING. Last year we made about 2,800.

Senator SIMMONS. I understood the Senator to say, from the tables he has there, that the importations are how many?

Senator LODGE. Six hundred and fifty-eight.

Senator SIMMONS. And you made 2,800?

Mr. KING. Two thousand eight hundred. That was our complete line.

Senator SIMMONS. About what proportion of the total output in this country of that character of guns do you think you made?

Mr. KING. I have no means of knowing; but it was a very small proportion.

Senator SIMMONS. A very small proportion?

Mr. KING. A very small proportion. There are some companies who make the very cheap guns who, I venture to say, will make as high as 30,000 a year.

Senator SIMMONS. You made four times as many as were imported here, and you say you make a small proportion of the total?

Mr. KING. Yes, sir.

Senator SMOOT. They are the high-priced guns.

Mr. KING. These are the fine guns; high-priced guns.

Senator SIMMONS. I understood him to say he did not make anything that sold for less than \$10.

Mr. KING. We make nothing that sells for less than \$37.50. Our line runs from \$37.50 to \$525.

Senator CLARK. What proportion of the cost of production of your factory goes into labor, and what proportion into material?

Mr. KING. A little above 80 per cent.

Senator CLARK. A little more than 80 per cent goes into labor?

Mr. KING. Yes, sir.

Senator CLARK. I understood you to say, in effect (without going back to the figures), that the price of that labor in Europe was about 30 per cent of what you pay?

Mr. KING. Yes, sir.

STATEMENT OF MR. M. C. MASON, OF NORWICH, CONN., REPRESENTING THE HOPKINS & ALLEN ARMS CO.

Mr. MASON. Mr. Chairman, the matter in which we are interested has been covered quite fully by Mr. Hunter and Mr. King, with the exception that we are manufacturers of cheap double and single barreled shotguns. Of course, we run into the competition of the Belgian gun. That is our strongest competitor—the gun imported into this country. I believe in 1907 something like seven-eighths of the 44,000 guns imported into this country were Belgian guns.

Senator CLARK. How much do you say? Seven-eighths of the entire importation?

Mr. MASON. Forty-four thousand and some odd guns were imported into this country in 1907. That was the total number of double-barreled shotguns, of which seven-eighths were the Belgian guns.

Senator CLARK. That is what I understood you to say.

Mr. MASON. I want to make it just as short as I can.

Senator SIMMONS. Forty-four thousand?

Mr. MASON. Yes, sir.

Senator SIMMONS. How many were made in this country?

Mr. MASON. I can tell you the number of guns we make, and I can give you the names of a couple of larger manufacturers than we are, and of course I could estimate the number of guns. But the estimate would not be correct; and I would rather not make statements that I do not know to be absolutely correct. We made last year about 22,000 double-barreled shotguns. This year we hope to make 30,000 double-barreled shotguns.

Senator SIMMONS. You make only a small part of the whole, I suppose?

Mr. MASON. Yes; still we are one of the larger manufacturers of cheap guns.

Senator SIMMONS. How many manufacturers are there in this country?

Mr. MASON. There are four or five manufacturers that compete with us in the cheap double guns—the J. Stevens Arms & Tool Co., Harrington & Richardson, Iver Johnson, and Davis & Sons.

Senator SIMMONS. Do you export any?

Mr. MASON. We have tried putting our guns in South America, but we find that we can not meet the competition of the cheap foreign guns. We did export a few guns to India; but the firm there that took the guns was an old buyer of Hopkins & Allen arms from away back at the start of the company, and we have exported only a very few of them to that concern.

I want to say to you, gentlemen, that I do not know just how this proposed legislation will work out if it becomes a law; but in talking it over with the members of our company, we all believe we will have

to close up the shop if it is enacted, because there is such a small margin of profit and the competition is very keen indeed.

Senator CLARK. That is, both foreign and domestic competition?

Mr. MASON. Yes, sir; foreign and domestic.

The CHAIRMAN. How many men do you employ?

Mr. MASON. We are employing now about 480 hands, but when we are running full we employ from 525 to 550 men. Norwich, Conn., is a town that is suffering from want of manufacturing. This concern was ready to go out of business; and we bought the concern for 53 cents on the dollar, and are attempting to rehabilitate it and get it back on its feet.

Senator CLARK. How long has the present corporation been in control?

Mr. MASON. About a year.

Senator CLARK. What was it—a reorganization or a purchase?

Mr. MASON. It was a purchase.

The CHAIRMAN. What is the retail price of the class of cheap guns you refer to?

Mr. MASON. They retail for from \$9 to \$12. You must not overlook the risk we have to take and the caution we have to exercise in the manufacture of our barrels, as a result of the use of these new high-power smokeless powders, and so on, that are coming into vogue. If one of those barrels should break and blow off a man's head, it would be a very serious matter.

Senator CLARK. It would, for him.

Mr. MASON. Yes; and for us—for our reputation.

Senator CLARK. Do you know the relative cost of labor in Belgium and here? I mean, in the class of work that you produce.

Mr. MASON. I called up a friend of mine in New York who is interested in a Belgian factory, and he told me the average cost of labor over there was from 40 to 80 cents a day for gun mechanics; but he said the average would run somewhere about 55 cents, on account of the large number of women and children that assemble the guns, and do that sort of work.

Senator CLARK. What is your average?

Mr. MASON. We run about between \$2.50 and \$3.50 a day.

Senator CLARK. Do you employ any women and children in assembling your guns?

Mr. MASON. Only as office help. We have a law that prohibits the employment of young boys, and we employ them only when they are old enough to work for us as carriers of parts.

Senator McCUMBER. Your labor, then, averages four or five times as high as the labor in Belgium?

Mr. MASON. Yes; about four times. The gentlemen who appeared before you yesterday in regard to the manufacture of razors told you something to that effect; and with us it is just about the same ratio as he stated.

Senator SIMMONS. What kind of work do women and children do in foreign gun factories?

Mr. MASON. Assembling, putting the parts together.

Senator SIMMONS. You do not use them at all in this country?

Mr. MASON. No.

Senator SIMMONS. And you say their wages are only 55 cents a day?

Mr. MASON. I said from 40 to 80 cents a day. I do not know just

exactly the wages the women and children do get. This friend of mine only gave me the average over the telephone.

Senator SIMMONS. Do they get lower wages in the factories that manufacture the cheap guns than they do in the factories that manufacture the high-priced guns? The gentleman who spoke just a little while ago said about 11 cents an hour was paid over there, I think.

Senator LODGE. That was for making gun barrels. That is another branch of the industry.

Mr. MASON. I would not like to answer that question, because I could not answer it definitely.

Senator SIMMONS. What is the number of hours a day that they work in those factories?

Mr. MASON. This gentleman told me they work 10 hours a day.

Senator SIMMONS. For 55 cents a day?

Mr. MASON. Yes.

Senator JOHNSON. I find from the Government statistics, under the head of "Firearms," that we exported, in 1910, \$2,373,662 worth. Do you know what those consisted of?

Mr. MASON. Does not that refer to some of our automatic revolvers and pump guns?

Senator JOHNSON. I asked you if you had any information as to what it included.

Mr. MASON. Only that idea. I know that the only items I can think of that would come under that are some of the patented articles in our country. I should like to say further, if you will pardon me—

Senator SIMMONS. What patented articles are you talking about?

Mr. MASON. The automatic pistol; the self-loading pistol.

Senator SIMMONS. Those are made elsewhere, are they not?

Mr. MASON. Yes; but some of our arms in this country have a reputation abroad. The Colts have a great reputation all over the world.

Senator SMOOT. You refer to the rapid-firing pistols?

Mr. MASON. Yes; the automatics.

Senator JOHNSON. Do you know that that export consists altogether of automatic pistols?

Mr. MASON. No; I do not.

I should like to say, further, that we are very desirous of having the foreign gun barrels come into this country free of duty, because we can not manufacture the tubes in this country as cheaply as we can buy them.

Senator SIMMONS. The tubes?

Mr. MASON. That is, the barrels. We call them "tubes."

Senator CLARK. Under the present law what is the tariff on the "tubes," as you call them?

Mr. MASON. They come in free.

Senator CLARK. What will it be under the proposed bill?

Mr. MASON. The language is rather obscure. We were informed that it was 20 per cent.

Senator SIMMONS. I understand your position is that you want what you have to buy to come in free?

Mr. MASON. Yes; we would like to have it.

Senator SIMMONS. But you do not want what people buy from you to come in free?

Mr. MASON. No.

Senator SIMMONS. That is your position?

Mr. MASON. That is our position; yes. Frankly, it is. It looks like a selfish position.

Senator SIMMONS. You think you ought to get the benefit of low prices on what you buy, but that the people who buy your things ought not to do so?

Mr. MASON. Our guns are superior to the cheap Belgian guns.

Senator SIMMONS. That does not affect that question at all.

Mr. MASON. That is it; yes, sir.

Senator SMOOT. If the barrels could be made in this country, you would have no objection whatever to a duty being placed upon them, would you?

Mr. MASON. No; not if we could buy them at a reasonable price. If they made the barrels in this country, it is my opinion that we would have to pay more for them, and therefore it would bring about a readjustment of gun prices. As you know, it is very difficult to raise the price of an article after it once gets down. We are selling some of our guns for less than they cost us to manufacture; but we have to make them in order to have a complete line.

Senator SIMMONS. They do make the cheap barrels which you use in this country, do they not? The barrels that you are speaking of now, that you would like to have come in free, are made in this country?

Mr. MASON. They are made by some firms for their own consumption, such as the J. Stevens Arms & Tool Co.

Senator SIMMONS. There is not any reason why they can not be made here?

Mr. MASON. Oh, no; they can be made in this country.

Senator SIMMONS. And they are made in this country, as a fact?

Mr. MASON. They are made in this country.

Senator SIMMONS. Notwithstanding the fact that somebody else is making them, because you have to buy them you want them to come in free, so that you can get them cheaper?

Mr. MASON. I was talking to a friend who is interested in one of the arms companies that has been making its own double tubes; and he said: "We have just been testing out the Belgian tubes, and we find them just as good as the ones we are making, and we can buy them for less." He said: "It is my opinion that we will ultimately drift away from the manufacture of them."

Senator SIMMONS. So the Belgian tubes that you buy are just as good as those which are made in this country, but you can get them cheaper in Belgium, and you want them cheaper?

Mr. MASON. Yes.

Senator SIMMONS. Cheaper than the American manufacturer can produce them?

Mr. MASON. If there were an American manufacturer making gun barrels for the trade, that we could buy from, we would be very glad to buy them. It takes a long time to get those barrels, and sometimes it holds us up very badly on our deliveries, on account of delays in shipment.

Senator SIMMONS. If they are manufactured in this country, why can you not buy them in this country?

Mr. MASON. They are not manufactured for sale. They are manufactured by a few concerns. I really know of only one that manufactures its own double gun tubes.

Senator CLARK. Is there any concern in this country that manufactures gun barrels or tubes, as you call them, for sale to manufacturers?

Mr. MASON. Not of our class.

Senator JOHNSON. None of your class, but they do manufacture some?

Mr. MASON. That I can not answer, because I am not familiar with what other manufacturers buy. I am familiar only with our own line.

Senator CLARK. Being in the business as extensively as you are, if a branch of that business were established in this country you would be apt to know of it?

Mr. MASON. Yes.

Senator CLARK. If there were a gun-barrel factory or an establishment for the production of gun barrels for sale to the manufacturers, you would know of it?

Mr. MASON. I know of absolutely none. So far as I know, there are none.

Senator LODGE. Is it not a fact that it is impossible for us to make the tubes here without any duty? There being no duty on tubes, they come in free. It is utterly impossible for us to make them here, is it not, in competition with the makers abroad?

Mr. MASON. In competition; yes.

Senator LODGE. The previous witness testified that he found that the Belgian blacksmiths got 11 cents an hour, while our blacksmiths get three times as much.

Mr. MASON. Yes; but Mr. King referred to that more particularly in regard to the figured barrels—the Damascus barrels. We use some Damascus barrels, which we buy from the other side, but most of our barrels are what are called the cold-rolled steel barrels.

Senator SMOOT. And those you can not buy here?

Mr. MASON. No.

Senator CLARK. Let me ask you this question right along the line on which Senator Simmons was asking you questions. If there were a protective-tariff duty on this class of goods could they not be manufactured here in a sufficient quantity to become a recognized business in the trade?

Mr. MASON. I see no reason why they could not be.

Senator SIMMONS. Is there not a protective-tariff duty on them?

Mr. MASON. No; there is none.

Senator CLARK. There is none.

Mr. MASON. We would be very glad indeed to spend our money in this country and pay it to any manufacturer of gun barrels, if we could buy them right, and the prices we could get for our guns would warrant it.

Senator CLARK. It is a disputed question whether this would be the result or not (I mean, not what you state, but what I am about to state); but I assume for the purpose of the inquiry that if there were a protective duty on these barrels sufficient so that the Americans could manufacture them in this country, the price would be higher, would it not?

Mr. MASON. I think it would, undoubtedly.

Senator CLARK. Which would make the price higher to you?

Mr. MASON. Yes, it would make it higher to us, and we would have to raise the prices of our guns or else we could not stay in business.

Senator CLARK. That is all right. I am rather inclined to the opinion, since Senator Heyburn is not here to express it, that if these barrels could be made in this country it would be well to have a tariff on them so that they could be made here, even if Brother Simmons and the other sportsmen had to pay a couple of dollars more for their guns.

Senator SIMMONS. I understood the gentleman to say a little while ago that some manufacturers in this country are now making their own barrels.

Mr. MASON. For their own use.

Senator SIMMONS. Therefore they can be made in this country?

Mr. MASON. Yes.

Senator LODGE. They can not be made for profitable sale, however?

Mr. MASON. No.

Senator SIMMONS. If the people who are making them here can buy them cheaper somewhere else, why do they not do it?

Mr. MASON. Pardon me, but I mentioned that just a moment ago. This gentleman told me that in all probability they would buy all their tubes abroad.

Senator SMOOT. They tried the experiment, the same as Mr. King tried the experiment of making damascus barrels.

Mr. MASON. Yes.

Senator SIMMONS. You said some of our manufacturers were now making their own barrels. Please tell us, if you can, what manufacturers are making their own barrels?

Mr. MASON. I can give you only one that I know of absolutely. That is the J. Stevens Arms & Tool Co.

Senator SIMMONS. What size concern is that?

Mr. MASON. That is a larger concern than ours. It would involve quite an additional equipment on our part to make our own barrels, and we could not afford to put in that equipment at the present time.

Senator SMOOT. Have you any combinations in the gun trade?

Mr. MASON. Not that I have ever heard of—not that I know anything about.

Senator SMOOT. You have never discussed the question of prices?

Mr. MASON. Never. The competition is extremely keen. There is a great deal of jealousy and some hard feeling. I do not like to see hard feeling, but the competition is very keen, indeed.

The CHAIRMAN. Have you anything further?

Mr. MASON. No, sir.

STATEMENT OF MR. ARTHUR A. KRAEUTER, OF NEWARK, N. J., REPRESENTING KRAEUTER & CO.

Mr. KRAEUTER. Mr. Chairman and gentlemen of the committee, I am the president of Kraeuter & Co., who for the past 52 years have been manufacturing pliers and nippers. For 20 years I myself have hired labor for this business; and I feel that in a very few words I can point out to you that it would be very unjust to the American manu-

facturers and employees to change the present duty on pliers and nippers.

Senator CLARK. What is the present duty? I ask the question so as to get it in the record.

Mr. KRAEUTER. It is equal to 75 per cent.

Senator CLARK. The present duty is equal to 75 per cent, and the proposal is to reduce it to 30 per cent?

Mr. KRAEUTER. Yes, sir.

Senator SMOOT. The equivalent ad valorem for last year was only 59.74 per cent on the imports.

Mr. KRAEUTER. In this line of business we do not have any automatic machinery, and no parts of these pliers or nippers are made on automatic machines; only the rivets. Consequently, 98 per cent—yes, 99 per cent—is hand labor. The few machines that are employed in the manufacture of this line of goods are very simple, and they are the same that have been in use for the last 40 or 50 years. So it is altogether a matter of labor.

I have here a table showing the prices that we pay in America and the rates paid in England and elsewhere abroad. I will read them to you.

Diesinkers in America demand and get from \$24 to \$30 per week. In England they get from \$7.50 to \$17.50. The English prices I have from our present superintendent, who for years was superintendent of a factory that made similar goods in Leeds, England.

Senator CLARK. How long has he been your superintendent?

Mr. KRAEUTER. He has been our superintendent for two years. It is two years since he was in England. He said that he has known only one man in his employ, or only one man in that town, that drew as high as \$17.50. The average is about \$12. The same diesinker in Germany would get from \$10 to \$12, as against \$24 to \$30 in America. I have five diesinkers, and there is only one that gets \$24 a week. The rest get \$27 and \$30 a week.

Recently I wanted another diesinker; and I spent \$27 advertising in the newspapers in Brooklyn, Philadelphia, Cleveland, and Hartford. I wanted to get a diesinker for \$24 a week; and I spent \$27 in advertising, and still did not get the diesinker. So I changed the advertisement and made it read "twenty-seven dollars a week," and after a lapse of 4 or 5 or 10 days I got the diesinker. So we are not paying a premium rate.

Toolmakers in America get from \$20 to \$28. In England they get from \$7 to \$10, and in Germany from \$10 to \$12.

Forgers in America get from \$24 to \$30. In England they get from \$10 to \$12, and in Germany from \$9 to \$10.50.

I have at the present time a forger who went back home visiting last summer. His name is Pearson. I asked him a week or two ago what men would get on his hammer, an 800-pound hammer. He said they would get from \$8 to \$12 a week. He is getting \$26 per week.

Benchworkers in America on this particular line get from \$12 to \$18. In England they get from \$5 to \$7, and in Germany from \$6 to \$8.

About one-quarter of the men in our factory are polishers. In America they get from \$15 to \$18. Almost all of my 32 men get \$17. In England they pay from \$5 to \$8, and in Germany from \$6 to \$8.

The CHAIRMAN. How many men do you employ?

Mr. KRAEUTER. About 130.

We pay laborers from \$9 to \$12; in England they get from \$3 to \$5, and in Germany from \$5 to \$7. We pay all our boys from \$6 to \$9; in England they get \$2 and in Germany they get \$3. The boy proposition in Germany is a very serious one. The boys work at home from the time they get up in the morning until school time, and from the time school lets out until bedtime, and the whole family works. The whole family is working at home.

Senator CLARK. The work is carried on outside of the factory?

Mr. KRAEUTER. Yes. Most of the work on pliers is done with a file and a hammer. I should say three-fourths of the work can be done in the home.

Senator CLARK. Do you do any of it in that way?

Mr. KRAEUTER. No.

Senator CLARK. You do it all in the factory?

Mr. KRAEUTER. Yes.

Senator SIMMONS. In getting at those German wages did you take what they pay per week and divide it by six to get the day wage?

Mr. KRAEUTER. The day wage?

Senator SIMMONS. Yes.

Mr. KRAEUTER. Have I done so?

Senator SIMMONS. Yes.

Mr. KRAEUTER. No; I have not.

Senator SIMMONS. The reason I asked you that was, we had a German expert here the other day, and he was speaking about the rate of wages in German factories, and said that they worked only four days in the week there in the particular industry he was talking about.

Senator SMOOT. Cutlery.

Mr. KRAEUTER. He was speaking of shearmen and razor men, I believe.

Senator SIMMONS. Yes. I was just wondering—and I wanted to see if you had any information—whether that rule obtained in other industries over there to the same extent as in the one he spoke about.

Senator SMOOT. Senator, if you had been here yesterday you would have heard the testimony of a man who had worked there in that very district where Dr. Hornung testified the laborers worked only four days. He said he had worked there for years and years and no such rule ever did apply.

Senator SIMMONS. Did not apply in the razor industry?

Senator SMOOT. In the razor or cutlery industry.

Senator SIMMONS. I supposed that man was a very reliable man. He seemed to be a very intelligent man.

Senator SMOOT. The laborer himself was here and testified yesterday that conditions such as that never did exist; and he was born in the very district and worked there all his life, in the razor and cutlery business, until he came to this country.

Senator CLARK. Who was the first man?

The CHAIRMAN. Dr. Hornung.

Senator SIMMONS. He was brought here as a man of great familiarity with his business in Germany. He could not speak English and had to have an interpreter. He testified through the interpreter that in the razor industry over there they worked only four days a week and got 42 marks a week.

Senator SMOOT. He was president of the board of trade in the city in which he lived and he never worked at all in the factory. But the man who testified here yesterday worked there all his life.

Mr. KRAEUTER. Senator Simmons, I have two Germans in my employ, and they informed me they worked six days a week, from 7 to 9, from 9.30 to 12, from 12.30 to 4, and from 4.30 to 7, making a nine-hour day; and they worked just the same number of hours on Saturday; not like America, where we shut down at 5 o'clock. Most factories in America to-day shut down at noon, making a 55-hour week.

Senator SIMMONS. Then the sum of it all is that the figures are based on the day rate over there and not the weekly rate divided into six parts?

Mr. KRAEUTER. I am figuring on a 60-hour week here. That is what I take into consideration.

We have taken the tool which we make the very most of—make in large numbers. Here is our tool No. 3555, 6-inch. Here are 26 operations. At the American rate of wages they cost \$7.30; at the English rate of wages, \$3.97. So you can readily see that if that tariff is reduced to 30 per cent it will put us out of the plier business.

Senator CLARK. That would depend somewhat on the profit you are now making.

Mr. KRAEUTER. There is not that much profit in this line.

Senator CLARK. That is what I wanted to get at.

Mr. KRAEUTER. No; competition is very keen in America.

Senator CLARK. What is your percentage of profit?

Mr. KRAEUTER. As yet we have not made any money. We hope to make some money. We count on a 25 per cent profit, but we have not as yet struck that.

Senator CLARK. You are a corporation?

Mr. KRAEUTER. Yes, sir.

Senator CLARK. What is the capital stock of that corporation?

Mr. KRAEUTER. \$100,000.

Senator CLARK. Paid in?

Mr. KRAEUTER. Ninety-four thousand of it.

Senator CLARK. And the other issued?

Mr. KRAEUTER. No.

Senator SMOOT. It is all paid in cash?

Mr. KRAEUTER. Yes.

Senator SIMMONS. Twenty-five per cent sounds like a pretty big profit.

Mr. KRAEUTER. Not on this line.

Senator SIMMONS. It is not?

Mr. KRAEUTER. No; and, as I say, we have not made it. We have put our money so far into perfecting the line, improving the patterns, trying to get it better. Competition in America is very keen.

Senator SIMMONS. What is there to differentiate this business from any other business? In business to-day 25 per cent would be considered a very large profit.

Mr. KRAEUTER. That is the way they figure the prices of the tools which we will put out to the trade. But I say we have not made it. We count on making 25 per cent, but owing to unforeseen difficulties that have taken our money, it has not been 25 per cent.

Senator WILLIAMS. How long have you been in business?

Mr. KRAEUTER. We were incorporated in 1907. Father established this business 52 years ago.

Senator WILLIAMS. And you have been conducting it without any profit all that time?

Mr. KRAEUTER. We have had a living.

Senator WILLIAMS. You have made a living?

Mr. KRAEUTER. Yes, sir.

Senator WILLIAMS. So that you have made some profit, have you—enough to live on?

Mr. KRAEUTER. Yes, I am still here.

Senator WILLIAMS. When a man makes a profit and spends it he has still made the profit, has he not?

Mr. KRAEUTER. Would you call a man's salary a profit?

Senator WILLIAMS. Can you give us the exact figures?

Mr. KRAEUTER. Of what?

Senator WILLIAMS. Of your output and your sales, how much you paid for labor each year.

Mr. KRAEUTER. No, I have not that.

Senator WILLIAMS. You are a corporation, and what you mean by not making any profit is that you have not declared any dividends; that is what you mean, is it not?

Mr. KRAEUTER. Yes.

Senator WILLIAMS. You have, however, taken a profit from the business, which you have devoted to bettering the business, increasing the value of the plant, and to living at the same time?

Mr. KRAEUTER. Yes. Or, in other words, I might say that we have declared what you might call a stock dividend.

Senator WILLIAMS. Oh, you have?

Mr. KRAEUTER. We have.

Senator WILLIAMS. You mean by a stock dividend that you have given a certain amount of stock to your stockholders as a bonus, do you not?

Mr. KRAEUTER. Yes.

Senator CLARK. Just there, I do not get that. You do not mean as a bonus, do you?

Mr. KRAEUTER. Not a bonus, no.

Senator WILLIAMS. What did you mean? Did they pay money for it when they got it?

Mr. KRAEUTER. In other words, if at the inventory taking it appeared, or we found out, that instead of it being \$50,000 it was \$54,000, and there were four stockholders, we would issue certificates to the amount of \$1,000 each to those four stockholders, and I think in that way since 1907 we have distributed amongst the stockholders along about \$15,000. The exact amount I do not know.

Senator WILLIAMS. Did they pay money for that stock?

Mr. KRAEUTER. No.

Senator WILLIAMS. Then it was stock that was given to them freely, was it not?

Mr. KRAEUTER. Freely? Yes; you might put it that way.

Senator WILLIAMS. Stock which the business had, in your opinion, earned, and you therefore gave them this stock?

Mr. KRAEUTER. Yes; since 1907.

Senator WILLIAMS. I do not know what you understood by my asking the question as to giving the stock as a bonus; but that is

what I meant by it, at any rate, that it was stock given to stockholders without their having to pay for it, either in services or property or money.

Mr. KRAEUTER. Correct.

Senator WILLIAMS. In other words, that the business had earned a certain amount, and instead of declaring it in the shape of a dividend, you declared it in the shape of a new stock issue, which was given to the stockholders.

Mr. KRAEUTER. The exact amount I am not prepared to say. I did not think I would be called on to state that.

Senator WILLIAMS. Would you think about \$15,000?

Mr. KRAEUTER. I think that would cover it, yes.

Senator SMOOT. In other words, if you had declared a dividend and paid it in cash and increased the capital stock, they would have paid the cash for the stock?

Mr. KRAEUTER. Yes, indeed.

Senator SMOOT. And your business was such that you needed more capital?

Mr. KRAEUTER. We had additional stock, but not enough cash on hand.

Senator SMOOT. I say you needed more capital?

Mr. KRAEUTER. Yes.

Senator SMOOT. If you had not, of course you would have paid money out instead of the stock?

Mr. KRAEUTER. Yes.

Senator McCUMBER. The books would show simply undivided profits of a certain amount, which you liquidated in issuing stock instead of paying cash?

Mr. KRAEUTER. Undivided profits? I really do not know what is meant by undivided profits. It was an increase of stock; that is the way I see it.

Senator CLARK. I understand, if I have followed you correctly—and if I am wrong, I know that Senator Williams will put me right—I understand from your statement that for each dollar of this stock you issued there was a dollar actually in the business to represent it?

Mr. KRAEUTER. Either in files, pliers, forgings, or something else.

Senator CLARK. Exactly so.

Senator SIMMONS. But that dollar represented profits.

Senator CLARK. Yes.

Senator WILLIAMS. I have no doubt of the accuracy of that statement; but it represented profits, all the same, and a moment ago he said they had made no profits in the business. So that whatever this amount is—you think \$15,000—it is a profit. How many stockholders are there?

Mr. KRAEUTER. The exact number I could not give you; along about 15—12 to 15.

Senator WILLIAMS. Who are the salaried men in the business? Are they the stockholders?

Mr. KRAEUTER. I am the only one at the present time.

Senator WILLIAMS. You are the only salaried man?

Mr. KRAEUTER. Yes, sir.

Senator WILLIAMS. What are you? What office do you hold?

Mr. KRAEUTER. I am the president of the company.

Senator WILLIAMS. You have no treasurer and no secretary?

Mr. KRAEUTER. Not drawing salary; no.

Senator WILLIAMS. Not drawing salaries?

Mr. KRAEUTER. No.

Senator SMOOT. You do not draw your salary because of the fact that you are president, but because you give your personal attention to the business, do you not?

Mr. KRAEUTER. I am there about nine hours every working day of the year, excepting when I am off on business.

Senator CLARK. Does the management of the concern rest with you?

Mr. KRAEUTER. I am acting superintendent and general manager.

Senator JOHNSON. How many stockholders have you?

Mr. KRAEUTER. About 15—12 to 15.

Senator JOHNSON. This was an old business, established by your father, I understood you to say?

Mr. KRAEUTER. Yes, sir.

Senator JOHNSON. Fifty-two years running as a partnership, or by him?

Mr. KRAEUTER. By himself.

Senator JOHNSON. Then in 1907 it was incorporated?

Mr. KRAEUTER. Yes, sir.

Senator JOHNSON. And the corporation took over the plant, I suppose, which had been run before by your father?

Mr. KRAEUTER. Yes.

Senator JOHNSON. And issued stock for the plant and the property?

Mr. KRAEUTER. Yes. I bought the business from father, and the present corporation bought the business from me and gave me stock for the inventory value.

Senator JOHNSON. Who estimated the value?

Mr. KRAEUTER. Some of the men in the factory. We took an inventory.

Senator JOHNSON. You became the largest stockholder, I presume?

Mr. KRAEUTER. Yes, sir.

Senator JOHNSON. Of what proportion of the stock did you become owner?

Mr. KRAEUTER. At the present time I hold about two-thirds of it.

Senator JOHNSON. This stock was issued to you for your plant?

Mr. KRAEUTER. Yes; but the men who went in with me were perfectly satisfied that the inventory was true and they were well enough satisfied to put their cash in.

Senator WILLIAMS. How much did you pay your father for the business and the plant?

Mr. KRAEUTER. \$20,000.

Senator WILLIAMS. Then you sold it to the company for how much?

Mr. KRAEUTER. I sold it to the company for \$42,000, I believe.

Senator WILLIAMS. \$42,000?

Mr. KRAEUTER. \$42,000.

Senator WILLIAMS. Did the company pay that to you in cash, or in stock, or part cash and part stock, or how?

Mr. KRAEUTER. All stock.

Senator WILLIAMS. So that you sold to them for the two-thirds of the stock which you hold, which represents \$42,000?

Mr. KRAEUTER. No; I hold more than that. I have bought and paid in cash for more of it. The business needed more money.

Senator WILLIAMS. So that at the beginning they paid you in stock \$42,000?

Mr. KRAEUTER. They did.

Senator WILLIAMS. How much stock was issued to them?

Mr. KRAEUTER. The exact amount I could not tell you. I would have to send you a statement to that effect.

Senator WILLIAMS. How much did the business organize on, including yours?

Mr. KRAEUTER. Including mine?

Senator WILLIAMS. Yes.

Mr. KRAEUTER. It would be only a guess.

Senator WILLIAMS. But you know how much stock you organized the business on, do you not? Do you know how much capital you had?

Mr. KRAEUTER. When we started?

Senator WILLIAMS. Yes; the total stock held by everybody?

Mr. KRAEUTER. No; I really do not know. I know my part of it was originally \$42,000.

Senator WILLIAMS. What proportion was that of the whole; then we may arrive at it?

Mr. KRAEUTER. I really can not tell you.

Senator WILLIAMS. They had stock, did they not?

Mr. KRAEUTER. They did.

Senator WILLIAMS. Do you know how much they had altogether?

Mr. KRAEUTER. No; but I should say ten or twelve thousand dollars' worth.

Senator WILLIAMS. Let us say ten thousand. So you paid your father \$20,000 for the plant, and sold it to them for \$42,000 in stock, which you received, and they received \$10,000.

Mr. KRAEUTER. But, Mr. Williams, I put considerably more than \$20,000 in there between the time I bought it from father and the time I sold it to the company.

Senator WILLIAMS. I am coming to that in a minute. That is \$52,000. Now, then, between the time you bought it from your father and the time you sold it to your company, what increase was made to the plant?

Mr. KRAEUTER. I really can not tell you how much it increased.

Senator WILLIAMS. You did, however, increase the size of the plant, did you?

Mr. KRAEUTER. I increased the size of the plant at various times, yes. I put money in there. I would have to have my private ledger here to give you the exact figures.

Senator WILLIAMS. You do not remember how much?

Mr. KRAEUTER. I do not. I know at one time I dropped in \$6,000, and another time \$2,000, and another time \$2,700.

Senator WILLIAMS. Six thousand and two thousand and twenty-seven hundred; that would be ten thousand seven hundred.

Mr. KRAEUTER. If you are interested in these figures, I would rather furnish you a statement, and then they will be exact.

Senator WILLIAMS. I wish you would. What you have already testified to will remain in the record, and I wish you would supplement it by sending a statement.

Mr. KRAEUTER. Very well.

Senator SIMMONS. Whatever may be your profits, you say that 25 per cent is what people in that line of manufacture expect?

Mr. KRAEUTER. Yes.

Senator SMOOT. Twenty-five per cent between the cost of making their goods and their selling price, or 25 per cent on the capital invested?

Mr. KRAEUTER. Not on the capital invested.

Senator SMOOT. That is what I wanted to say. In arriving at the price you sell your goods at, you take what the actual, bare, cost of making the goods is, and add 25 per cent to it as a price at which to sell your goods?

Mr. KRAEUTER. Yes.

Senator SMOOT. Your stockholders, nor you yourself, expect to make 25 per cent profit on the capital invested?

Mr. KRAEUTER. Oh, no; we do not. If we cleared 10 per cent, we would be doing well.

Senator WILLIAMS. What do you count as the cost of your production—the raw material, the labor, the salaries, taxes, insurance, and rent?

Mr. KRAEUTER. Yes. We find out how much steel the 100 articles require, and we have all the costs, such as forging, trimming, re-forging, second trimming, drilling, milling, punching, reaming, drifting, coarse polish burrs, coarse polish handles, grinding, hardening; and when we have that, we add 20 per cent factory expenses.

Senator WILLIAMS. Then you get a sum total which you call the cost?

Mr. KRAEUTER. Yes.

Senator WILLIAMS. After adding the 20 per cent for factory expense, it is to this sum total that you are looking for the 25 per cent profit.

Mr. KRAEUTER. Supposing that comes out to \$1 or \$4, for instance, after the goods are in the pasteboard boxes, and ready for sale; we add the 25 per cent, making it \$5, and out of that come our advertising and traveling expenses.

Senator SMOOT. And all your losses in accounts?

Mr. KRAEUTER. Certainly.

Senator SMOOT. I have been there, Senator Williams, many times.

Senator McCUMBER. Your selling expense would come out of that also?

Mr. KRAEUTER. Yes.

Senator WILLIAMS. Mr. Kraeuter has had a dream, I understand, but still I want to analyze the dream.

The following paper was submitted by Mr. Kraeuter:

STATEMENT OF ARTHUR A. KRAEUTER, OF NEWARK, N. J., PRESIDENT OF KRAEUTER & CO., ESTABLISHED 1860, MANUFACTURERS OF NIPPERS, PLIERS, AND MECHANICAL TOOLS, IN REGARD TO S. 65 AND H. R. 18642.

Our company feels that it would be utterly impossible to compete with foreign trade if any change is made in the present tariff. In fact, the present tariff is not sufficient. In support of this I submit the following wage scale in England in comparison with our American wage scale. The English wage scale is given on authority of George Bennett, formerly of Leeds, England, now superintendent of Kraeuter & Co., being the rates which he was paying in England in 1910 while directing a business of a similar nature and also acting as superintendent, and are as follows:

Table showing in comparison, in minimum and maximum wages per week, rates paid in America and England, same work, same number hours, same occupation.

	Minimum wage.			Maximum wage.		
	America.	England.	American excess over England.	America.	England.	American excess over England.
Die sinkers.....	\$24.00	\$7.50	\$16.50	\$30.00	\$17.50	\$12.50
Toolmakers.....	20.00	7.00	13.00	28.00	10.00	18.00
Forgers.....	24.00	10.00	14.00	30.00	12.00	18.00
Bench workers.....	12.00	4.00	7.50	18.00	7.00	11.00
Polishers.....	15.00	5.00	10.00	18.00	8.00	10.00
Labors.....	9.00	3.00	6.00	12.00	5.00	7.00
Boys.....	6.00	2.00	4.00	6.00	3.00	3.00

The following wage scale in Germany is given on authority of a tool and die maker, a bench worker, and a grinder in my employ, all of whom have come from Germany in the past two years:

Table showing, in comparison, in minimum and maximum wages per week. Rates paid in America with rates paid in Germany, same work, same number of hours, same occupation.

	Minimum wage.			Maximum wage.		
	America.	Germany.	American excess over Germany.	America.	Germany.	American excess over Germany.
Die sinkers.....	\$24.00	\$10.00	\$14.00	\$30.00	\$12.00	\$18.00
Tool makers.....	20.00	10.00	10.00	28.00	12.00	16.00
Forgers.....	24.00	9.00	15.00	30.00	10.00	20.00
Bench workers.....	12.00	6.00	6.00	18.00	8.00	10.00
Polishers.....	15.00	6.00	9.00	18.00	8.00	10.00
Labors.....	9.00	5.00	4.00	12.00	7.00	5.00
Boys.....	6.00	3.00	3.00	9.00	5.00	4.00

Boys serve seven years' apprenticeship in England; the first year they do not receive any pay, second year \$2 per week, and every year thereafter a raise of 25 cents per week, giving them \$3.25 per week the last year of service. The same applies in Germany.

In addition to the low rate paid, there are thousands of boys and girls in Germany who work at home from the time they get up in the morning until schooltime, and from the time they return from school until bedtime; children from 7 years old and up.

The following table shows a comparison in cost on our tool No. 356, 6-inch, a duplicate of the Billings & Spencer slip-joint combination plier, largely used by automobilists and which in its varying styles is made in very large numbers in this country.

These are labor costs only and do not include any charge for use of dies or overhead expenses.

Cost per 100 pieces or 50 tools:

American.....	\$7.31
English.....	3.97

Excess labor cost in England..... 3.34

German figures still more disadvantageous to American workmen.

Tool No. 355, 6 inches, per 100, 55-hour rate.

	America.		England.	
	Rate.	Cost.	Rate.	Cost.
Forging.....	\$0.40	\$0.38	\$0.22	\$0.21
Trim.....	.20	.08	.12	.05
Reforge.....	.40	.11	.22	.06
Second trim.....	.20	.04	.12	.02
Drilling.....	.15	.12	.09	.07
Milling.....	.15	.25	.09	.15
Punching.....	.20	.06	.12	.03
Reaming.....	.15	.06	.09	.03
Drifting.....	.15	.03	.09	.01
Coarse-polish burrs (boy).....	.12	.16	.07	.09
Coarse-polish handles (man).....	.28	.84	.14	.44
Grind and coarse polish flats (man).....	.28	1.00	.14	.58
Coarse and grind screw drivers (man).....	.28	.21	.14	.11
Harden (man).....	.25	.10	.10	.06
Polishing screw driver (man).....	.28	.10	.14	.06
Polishing joint handle flat (man).....	.28	1.36	.14	.70
Polishing flat fine (man).....	.28	.20	.14	.11
Assembling.....	.15	.25	.09	.15
Polish tips.....	.28	.25	.14	.13
Brushing.....	.28	.25	.14	.13
Cleaning (boy).....	.08	.09	.03	.04
Nickel plating.....	.30	.33	.14	.15
Setting.....	.15	.12	.09	.07
Coloring buff wheel.....	.28	.75	.14	.37
Clean (boy).....	.08	.06	.03	.08
Wiping boxing.....	.08	.10	.03	.06
		7.31		3.97

Note that there are 26 separate operations requiring handling and skilled labor.

On the above statement of facts and with 20 years of personal experience in building this industry, I again ask that no change be made in the present tariff.

ARTHUR A. KRAEUTER.

WASHINGTON, D. C., February 21, 1912.

VOLUME OF PRODUCTION FOR WAGES COMPARED BETWEEN AMERICA, ENGLAND, AND GERMANY.

American ingenuity and American labor-saving machinery have not yet enabled Americans to surpass in the volume of product in the same operations of single pieces produced by our American wage earners over the single piece produced by our competitors in England or Germany, at their lower wages scale, in the production of our line of nippers and pliers. In support of this statement we submit the following facts:

In November, 1910, Kraeuter & Co. engaged Fred Williams, of England, who had landed in this country two weeks before this date and applied to us for employment as a polisher. He stated to us before being employed that he had earned as much as \$8 to \$9 per week in American money while engaged in his trade in England. We engaged him and in the first week he earned, under his new and strange conditions, \$15.25 for his week's work. Williams is now earning \$17 a week on time work.

From Germany we have a man, Fred Flemm, who commenced his trade in Germany as a grinder at seven years of age, who stated that the most he ever made at his trade was \$11.50 of American money. He was employed by us in July, 1910—on his arrival from Germany—his first week's wages was about \$17. He now earns \$20 a week.

Polishing and grinding is one-fourth of our pay roll, and the volume of product per day of nippers and pliers is gauged in each country by the number of employees in this department.

**STATEMENT OF MR. W. PIERREPONT WHITE, OF UTICA, N. Y.,
PRESIDENT OF THE UTICA DROP FORGE & TOOL CO.**

The CHAIRMAN. The committee will have two more gentlemen representing the same industry, who will briefly address us. We will now hear from Mr. W. P. White.

Mr. WHITE. Mr Chairman and gentlemen, this tool which I hold in my hand is an English plier, which you find on the reverse of the illustration which I think you have in your hands. This is known as our No. 50 line, and is retailed all over the United States at 90 cents. Six years ago that would have been retailed at a varying price, just as razors have been heretofore, from \$1.25 to \$2.50, according to the distance from the supply and the necessities of the purchaser, as exacted from him by the retailer. We have standardized these goods, standardized the consumer's price, published the consumer's price throughout the entire United States, paid the freight to the point of consumption on lots exceeding 150 pounds, and are making a tool in competition with the foreign-made article.

Senator CLARK. Let me ask a question right there. If you ship that tool to Senator Smoot's town of Salt Lake, do you advertise how much the consumer can purchase it for from the retailer?

Mr. WHITE. Yes, sir.

Senator CLARK. Suppose the retailer has an overstock of them; can he sell them for less than that if he chooses?

Mr. WHITE. He can, if he chooses.

Senator CLARK. You do not put any limit on the profit he can make?

Mr. WHITE. If he does that for an overstock, he could get rid of it: If he does it for business, he can not buy again from us.

Senator WILLIAMS. What is that?

Mr. WHITE. If he does it continuously, is a price cutter, and it is demoralizing the reasonable price between the manufacturer and the jobber, and the jobber and the ultimate consumer, we decline to sell him in the future.

We have been in this business for 15 years, and in the 15 years we have placed our pay roll, which in 1902 was in round numbers \$55,000, up to a pay roll which will come in 1912 to \$93,000. Our pay roll and the number of our employees—now about 150—have been constantly increasing. The net return to the factory per tool in 1902 was 49½ cents; last year it was 27½ cents. Competition in this country among the domestic manufacturers and the competition from abroad are carrying this line of products, which we are now making in these styles [indicating], lower than they have ever been sold before in this country.

Senator CLARK. How about the cost of manufacture; is that lower?

Mr. WHITE. We were burned out in 1908. If we had not been burned out, we could not have got the cost down. We were enabled through that fire to replace our entire factory on good lines, and we are still struggling with that cost to manufacture. We are up against competitive labor on the far side and on the Continent, and so far as the labor conditions are concerned we have not been able to overcome the same labor conditions which I testified to before this committee when the Payne-Aldrich Tariff Act was under consideration. We have not been able to introduce machinery in our operations in

places where we can compete with the labor on the Continent. I therefore ask that no change be made in the present tariff.

Senator SMOOT. Have you a list of the comparative wages between Germany and this country?

Mr. WHITE. Mr. Kraeuter has those comparative wages in his brief, between Germany and this country, well arranged, well tabulated.

Senator WILLIAMS. By the way, Mr. Chairman, I suggest that the chairman drop a note to the so-called Tariff Board, who have been sending men abroad and have been making tables of wages and costs abroad and here, especially in the steel business, and ask them to send the results of their labor down, with some member of the Board to explain them, to be examined by the committee.

The CHAIRMAN. I will do that.

Senator SMOOT. You mean on this schedule?

The CHAIRMAN. I do not know as to whether the Tariff Board has yet taken up the metal schedule.

Senator WILLIAMS. I understand they have. If they have not, they can tell us so. Even if they have not finished their work, I would suggest we ask them to send us such of it as they can send.

The CHAIRMAN. All right.

Senator WILLIAMS. We are paying them a large amount of money to be experts, and if they have any information we ought to have it on this and other subjects. Let us get it on all subjects, this and the other things we are going to consider.

Senator SMOOT. The same condition of wages exists in your factory, Mr. White, that exists in the factory of the gentleman who testified before you?

Mr. WHITE. Exactly; and the testimony given in regard to the wages of the polishers and hand operators is the same we have knowledge of.

Senator SMOOT. In 1909 there was a change in the tariff act and a specific duty of 8 cents a pound and 40 per cent ad valorem imposed. Then the nippers and pliers fell in the basket clause at a rate of 45 per cent ad valorem?

Mr. WHITE. They did.

Senator SMOOT. The manufacturers of nippers and pliers—and I believe you appeared as one?

Mr. WHITE. I did.

Senator SMOOT. Claimed that 45 per cent ad valorem was not sufficient to maintain the business in this country. Let me ask you, since the increase in the Payne-Aldrich bill that was granted to manufacturers of nippers and pliers, has the price of those articles advanced in this country?

Mr. WHITE. No, sir.

Senator SMOOT. Has it declined?

Mr. WHITE. It has to us, at the factory, net.

Senator SMOOT. That is through American competition?

Mr. WHITE. Yes, sir.

Senator SMOOT. Are there any combinations between the manufacturers of nippers and pliers in this country?

Mr. WHITE. No, sir.

Senator SMOOT. No agreement as to prices?

Mr. WHITE. No, sir.

Senator SMOOT. You made the statement that if a retailer in Salt Lake City should continue to sell that plier for less than 90 cents you would refuse to sell him?

Mr. WHITE. Yes, sir.

Senator SMOOT. Can you tell the committee why?

Mr. WHITE. We have attempted in this country to standardize the production of nippers and pliers, and to standardize the rates and the profits between the manufacturer, the jobber, and the retailer by paying the freight to the point of distribution. Consequently, a man in Maine, Florida, California, or any other place, gets the goods delivered at his door at exactly the same charge as any other man, no matter what part of this country he is in. Then the next move is to see that the profit between him and his retailer should be the same, in order to be fair in the distribution of the goods; and in order to see that it is fair, it becomes necessary to publish the price to the consumer, in order that the consumer can say, "If you will not sell it to me for 90 cents, I will go elsewhere, or send to the factory for it for 90 cents." This creates a standard method of doing business.

Senator SMOOT. In other words, you do the advertising?

Mr. WHITE. Yes, sir.

Senator SMOOT. And inform the customer what he should pay for your article?

Mr. WHITE. Yes, sir.

Senator CLARK. Do you also regulate the intermediate price between the factory and the retailer?

Mr. WHITE. We deal with jobbers almost entirely. There is a resale price between the jobber and the retailer.

Senator CLARK. Yes; are you concerned in that also?

Mr. WHITE. Yes, sir.

Senator CLARK. So that you seek to control, or, as you say, standardize the price, from the time it leaves your factory until the consumer obtains it?

Mr. WHITE. Yes, sir. We pay all the freight, and that comes against everybody's consumption, in order to standardize the price.

Senator CLARK. I understand your theory all right. Perhaps it is a good one.

Senator SMOOT. Do you make the very small, highly manufactured nippers used by doctors and dentists?

Mr. WHITE. Not at all.

Senator SMOOT. Who makes those in this country?

Mr. WHITE. Those are made by S. S. White Dental Co., in Philadelphia.

Senator SMOOT. Do they come under this paragraph?

Mr. WHITE. They are excluded.

Senator SIMMONS. When you say "we" have standardized, do you mean your own concern or the manufacturers?

Mr. WHITE. The Utica Drop Forge & Tool Co., of which I am president.

Senator SIMMONS. Do you make more than half of the output?

Mr. WHITE. I do not know. We have never been able to learn.

Senator SIMMONS. About what proportion do you think you make?

Mr. WHITE. I do not know at all.

Senator SIMMONS. You have sharp competition, you say?

Mr. WHITE. Yes, sir.

Senator SIMMONS. If you have sharp competition, how have you been able to absolutely fix the price?

Mr. WHITE. Anybody who wants our goods can get them at the uniform rates.

Senator SIMMONS. You have not had very sharp competition if you can fix your rates and hold them up.

Mr. WHITE. The quality and the finish and the durability of our tool, Senator; every one of our tools will cut a ten-penny nail or a hair or a piece of paper.

Senator SIMMONS. Then, if you are making a different quality and a better quality than anybody else, and by reason of that you are enabled to standardize and maintain your price, you really have not got any serious competition because of the quality of your goods, have you?

Mr. WHITE. Yes, sir. The French maker Tissot makes the handsomest goods that are made in the world at the present time.

Senator SIMMONS. I am talking of competition between American manufacturers.

Mr. WHITE. If you should see Mr. Kraeuter's goods you would know we have competition. He makes a beautiful piece of workmanship. Our competition is keen.

Senator SIMMONS. The point I am making is, if you are able to maintain this price because of the quality of your goods, then you have not really any serious competition in your manufacture, because your manufacture a better quality or a different quality from anybody else.

Mr. WHITE. The consumption is so limited that when the requirements are filled for a period they are filled entirely; if you get a cheap plier you do not want one of these for three or four years.

Senator SIMMONS. How long have you been able to maintain that price of 90 cents?

Mr. WHITE. We have been doing that for three years.

Senator SIMMONS. There has been no break in that price for three years?

Mr. WHITE. No, sir.

Senator SIMMONS. You have maintained it for three years?

Mr. WHITE. Yes, sir.

Senator McCUMBER. You say if the customer continues to sell for a price below your advertised price, you will discontinue selling to him in time?

Mr. WHITE. Yes, sir.

Senator McCUMBER. Suppose he sells for a higher price than your advertised price; what do you do then?

Mr. WHITE. We sell them here and there, but the man who gets stuck and knows it, sends to us direct for it, and we send it to him. But when he comes to pay the postage on the goods, it costs him as much as he is paying in his locality.

Senator McCUMBER. I suppose the average person who buys one of those things in a little country town probably will not know very much about your advertised price, anyway; and I wanted to see if you had any penalty you applied to the retailer who sold for considerably more?

Mr. WHITE. No, sir.

Senator McCUMBER. My reason for asking that is to get general information. I observe here on page 6, at the lower right hand corner, you have a Utica plier, 6½ inches, nickel plated, consumer's price 50 cents.

Mr. WHITE. Yes, sir.

Senator McCUMBER. I had occasion a very short time ago to purchase one similar to that; I do not know whether it was the same; but it was nickel plated, and I had to pay \$1 for it, and I wanted to know if there was any penalty, or whether I should write to the company. I am afraid you would find a good many people who were charging more than that who were not reporting to the company.

Senator SIMMONS. What are your profits?

Mr. WHITE. We have been putting money into this business for 15 years. We are a corporation. Our returns to the Federal Income Tax Commission are open to you. Last year the tax was \$13.50. The previous year and this year we will pay no tax to the Government.

Senator SIMMONS. You are making no profit?

Mr. WHITE. No profit.

Senator SIMMONS. You are not making any profit?

Mr. WHITE. No profits on those. Making our reports up as the Federal Government requires for the income tax, last year they discovered we were liable to \$13.50 for our portion of the income tax.

Senator SIMMONS. If for three years you have been able to fix your own price and maintain that price, and it is not a profitable price, it looks as if you would raise it a little.

Mr. WHITE. We are looking for the increased volume of consumption in order to carry that. I think the increased volume of consumption will carry that, Senator, without raising the price.

Senator SIMMONS. You said you had been burned out, and you had to put in new machinery. Have you not been putting a large part of your profits back into the business, and is not that the reason you have not been able to declare dividends?

Mr. WHITE. I have tried to get at that quickly for you. When the Federal Revenue Department asks you to make a statement, everything above \$5,000 is subject to this income tax, and when you have made that statement in that way, and show \$13.50 tax to be paid above the \$5,000 which is exempt, I think that answers your question.

Senator SIMMONS. I am not asking you about your statement to the corporation commission; but I would like to know, if you feel disposed to give us a statement about it, whether the business you are conducting has made a profit, directly or indirectly. I do not mean whether you declared dividends, whether you put any part of that profit in your pocket; but if the receipts exceeded the outlay.

Mr. WHITE. We have had to put money into the business every year.

Senator SIMMONS. You have taken it out of the business?

Mr. WHITE. No, sir. We have taken it out of our pockets from other sources and put it into the business.

Senator SIMMONS. Do you mean to say you have made no profits, either directly or indirectly, profits that have gone into your pockets or gone back into the business?

Mr. WHITE. I think there is no better way of answering that than to say that we have made our statement as required by the Federal income tax law, and the income tax statement is a very cleverly

devised method of disclosing profits, and when you do not show it there under that statement—there is a growth in our business, there is a growth in the business from year to year; also a growth in the business from the money which we put in from outside. But with all of that, making our statement correctly and carefully, in compliance with the Federal income tax law, the amount above the \$5,000 which is exempt from taxation was, a year ago, taxed to the extent of \$13.50.

Senator CLARK. Suppose you had increased your business, the stock you had on hand, or in putting in new machinery, or erecting new buildings, in any way, had increased it from the profits of the business you had put in it, so that it had grown by \$20,000, and your inventory, for instance, at the end of the year was \$20,000 more than it was at the beginning of the year; would that be included in your statement?

Mr. WHITE. Yes; that income statement would disclose that absolutely.

Senator CLARK. Would you pay a tax on that?

Mr. WHITE. You would have to pay a tax on it, the growth of the business, as shown by the increase of your inventory, and your asset statement is liable at any time to examination and verification by the Federal officers.

Senator CLARK. And on that you would pay a tax?

Mr. WHITE. Yes, sir.

Senator WILLIAMS. How much did that tax of \$13.50 represent?

Mr. WHITE. I have forgotten the rate, and I can not reverse it for you.

Senator WILLIAMS. At any rate, the amount upon which that tax was paid as a principal amount, plus the \$5,000, represented your profit?

Mr. WHITE. Yes.

Senator WILLIAMS. What was the value of the plant upon which this profit was made?

Mr. WHITE. The value of the plant upon which that profit was made was approximately half a million dollars.

Senator WILLIAMS. So that you made about \$8,000 on half a million dollars?

Mr. WHITE. Yes, sir; and that is in competition with these prices, and we are objecting to it. We are down here to object to it, and we will continue to object to it. Our men will be turned out, and that is what we are here to protest against.

Senator CLARK. Your men will be turned out unless you raise the prices of your products?

Mr. WHITE. Yes, sir.

Senator WILLIAMS. So that even with the present tariff—

Mr. WHITE. We are not protected properly.

Senator WILLIAMS. You mean you are not protected profitably; you said "properly," I believe.

Mr. WHITE. I still stand to my principle of protection.

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chanic also prefers the American-made goods if not compelled to pay too much of an advance in price.

Should the proposed tariff go into effect it would establish too great a differential for the American manufacturer to overcome, and I feel sure that the total production of American-made pliers will be reduced to a very large extent.

Our company, therefore, asks that the present tariff rate be not reduced, as it would surely mean a considerable loss of volume of business and consequent increase in cost of manufacture; goods can only be manufactured at a minimum of cost if production is up to the maximum of the producing capacity of the factory. Our workmen would also suffer on account of this loss of business, their earning capacity being reduced in proportion to the number of hours they are compelled to be idle.

The pliers I am referring to particularly are the medium grade side-cutting pliers and the medium grade button pliers. That line is probably one-third to one-half of our total production. I have some figures here. This is forged-steel goods; I am not talking about the cast steel, because they are not made in this country. The side-cutting plier, 6-inch, weighs 5 pounds to the dozen. The importer's price is approximately \$2.59 a dozen. This would make the price on the other side approximately \$1.57. To make up the \$2.59 you would get the 40 per cent, which is 63 cents a dozen, and 8 cents a pound, 40 cents, making the pliers cost on the other side \$2.60. The new rate, based on the \$1.57, with 30 per cent added, would make it \$1.94. These pliers cost us in this country to manufacture \$2.45. That is all, Mr. Chairman.

The CHAIRMAN. That closes the hearings for to-day.

Thereupon, at 12.45 o'clock p. m., the committee adjourned until Tuesday, February 27, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 15

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED**

AUGUST 5, 1909

FIRST PRINT

TUESDAY, FEBRUARY 27, 1912

Mr. THUN. Yes, sir.

Senator SMOOT. There is one in Connecticut also.

Senator CULLOM. Why can you not buy your needles in this country, then?

Mr. THUN. Because there seems to be a prejudice among the users of the machines in favor of the German needles. They have been used to the German machines and they have been specifying the German needles.

The CHAIRMAN. Is the American needle as good in quality as the German needle?

Mr. THUN. I presume some makes of them are; but we have not been in a position to dictate to our customers to use the American needles, since through the use of the foreign machine they have been in the habit of using the German needles.

Senator JOHNSON. What is the value of the output of your plant per year?

Mr. THUN. The particular machine I am referring to here is only a part of our output. It represents approximately \$150,000 annually.

Senator JOHNSON. The particular machine of which you are now speaking?

Mr. THUN. Yes, sir.

Senator JOHNSON. And you are the only manufacturer of it in this country?

Mr. THUN. We are the only manufacturer of it in this country.

Senator SMOOT. You are speaking of the knitting machine?

Mr. THUN. Of the full-fashioned knitting machines.

Senator JOHNSON. Do you know the value of the machines purchased in this country yearly?

Mr. THUN. I know approximately the number of machines imported.

Senator JOHNSON. Will you state the value of those that are imported for use here?

Mr. THUN. The value of the machines imported annually is approximately \$650,000.

Senator SMOOT. Or, in other words, the importations are three times what the local manufacturers produce?

Mr. THUN. Over four times.

Senator CULLOM. You are likely to be run out of business if this bill passes, are you not?

Mr. THUN. Yes, sir. This bill certainly would make it impossible for us to compete. Furthermore, it would destroy the value of our entire plant of special machinery, devoted only to this particular industry, and which can not be put to any other use. Building these machines required the installation of a great many special machines that were designed for doing certain work, such as making the needle beds and sinker beds, cooperative parts that form the loop on the hosiery machine; and if we can not continue to build these full-fashioned machines all that investment will be worthless.

Senator SMOOT. How many employees have you in this particular line of work?

Mr. THUN. Approximately 150.

Senator SMOOT. Of course they would be thrown out of employment?

Mr. THUN. Yes, sir.

Senator JOHNSON. You are not able to supply the demand in this country with your plant, are you?

Mr. THUN. We would be if we could compete. We could easily increase our output.

Senator JOHNSON. Have you been able to compete under the protection which has been afforded you heretofore?

Mr. THUN. Only at the sacrifice of profit. We never have made any money. We have been established in this business 12 years, and never have been able to make any money, because even under the present tariff the protection has not been sufficient to make up the difference in the wages.

Senator JOHNSON. Where did you get your information as to the cost of these machines?

Mr. THUN. We have in our establishment a number of people who formerly worked in Chemnitz, and I have here with me affidavits signed by them showing the exact rate of wages that they received in Chemnitz and that we pay them for exactly the same work, and showing that the rates we pay are from two and a quarter to four times higher than they were paid for the same work in Chemnitz.

Senator JOHNSON. Where did you get your information as to the cost of the material that went into the manufacture of these machines?

Mr. THUN. That is based on my knowledge of the cost of such articles as gray-iron castings, shafts, bar iron, etc. I have merely estimated a difference of \$100—\$400 in Chemnitz against \$500 here, which is very conservative.

The CHAIRMAN. You say you have some affidavits here?

Mr. THUN. I have, sir.

The CHAIRMAN. Made by your own employees?

Mr. THUN. Yes, sir.

The CHAIRMAN. You had better leave them with the stenographer, and they will be printed.

Mr. THUN. Yes, sir.

The affidavits referred to will be found printed at the end of Mr. Thun's statement.

Senator SIMMONS. I was not here when you began your statement. What is the cost of this machine? What do you sell it for?

Mr. THUN. The cost of the machine is \$2,200. We sell it about \$2,500, which, however, includes the cost of setting up or erecting the machine.

Senator SIMMONS. Two thousand five hundred dollars is what you get for it?

Mr. THUN. That is what we get for it.

Senator SIMMONS. Is it used exclusively in the manufacture of cotton?

Mr. THUN. For the manufacture of cotton and silk hosiery.

Senator SIMMONS. Do you know what it sells for in the European market?

Mr. THUN. Yes, sir. The European price of the same machine is \$1,800.

Senator SIMMONS. Are any of them shipped to this country?

Mr. THUN. Eighty per cent of the machines used here are imported, and only 20 per cent are supplied by us.

Senator SIMMONS. You are the only American manufacturer?

Mr. THUN. Yes, sir.

Senator SIMMONS. How many do you make a year?

Mr. THUN. We turn out, at the present time, about 60 machines a year.

Senator SIMMONS. How many are used in this country?

Mr. THUN. Probably 1,500.

Senator SIMMONS. How long have you been in the business?

Mr. THUN. Twelve years.

The CHAIRMAN. The witness has stated all these facts.

Senator SIMMONS. I did not know that.

The CHAIRMAN. That is why I am telling you—for your information.

Senator SIMMONS. All right. Has anybody besides yourself attempted to manufacture in this country during that period of 12 years?

Mr. THUN. Nobody ever has been attracted to the proposition, because they could not figure out any profit. There is one man in Philadelphia who has tried it, but he has confined himself to making changes and repairs to foreign machines.

Senator SIMMONS. The present duty is about 45 per cent, is it not?

Mr. THUN. The present rate is 45 per cent.

Senator SIMMONS. And you are asking for an increase of that?

Mr. THUN. I am protesting against a reduction of that, under paragraph 66.

Senator SIMMONS. You are not asking for an increase?

Mr. THUN. I am stating that even the present rate has never been sufficient to compensate for the difference in the cost of labor.

Senator SIMMONS. That is all.

The CHAIRMAN. All right; that is all, Mr. Thun.

The affidavits submitted by Mr. Thun are as follows:

STATE OF PENNSYLVANIA, *Berks County*, ss:

On this 24th day of February, 1912, before me, the subscriber, one of the justices of the peace in and for said county, personally appeared Rudolf Ullrich, of Wyomissing, Pa., and being by me duly sworn says that he was employed by the firm of Schubert & Salzer, of Chemnitz, Germany, for a period of five years, from 1905 to 1910, as builder of "full-fashioned" knitting machines and that the wages earned by him during that time were 5 marks per day (which is equivalent to 12 cents per hour), and that he is now employed by the Textile Machine Works, of Reading, Pa., doing the same work, and that the wages now earned by him are 33½ cents per hour, which is more than two and one-half times as much as he formerly earned in Chemnitz, Germany.

JOHANN RUDOLF ULLRICH.

In testimony whereof, I have hereunto set my hand and affixed my official seal, this 24th day of February, 1912.

[SEAL.]

CHARLES M. HUBER,

Justice of the Peace.

My commission expires May 6, 1912.

STATE OF PENNSYLVANIA, *Berks County*, ss:

On this 24th day of February, 1912, before me, the subscriber, one of the justices of the peace in and for said county, personally appeared Carl Kluge, of Wyomissing, Pa., and being by me duly sworn says that he was employed by the firm of F. Alban Ludwig, of Chemnitz, Germany, for a period of 11 years, from 1898 to 1909, as straightener of needles for "full-fashioned" knitting machines, and that the wages earned by him during that time were 80 pfennigs per hundred (which is equivalent to 20 cents per hundred), working piece work, and that he is now employed by the Textile

Machine Works, of Reading, Pa., doing the same work, and that the wages now earned by him are 60 cents per hundred, which is three times as much as he formerly earned in Chemnitz, Germany.

CARL KLUGE.

In testimony whereof I have hereunto set my hand and affixed my official seal, this 24th day of February, 1912.

[SEAL.]

CHARLES M. HUBER,
Justice of the Peace.

My commission expires May 6, 1912.

STATE OF PENNSYLVANIA, *Berks County*, ss:

On this 24th day of February, 1912, before me, the subscriber, one of the justices of the peace in and for said county, personally appeared Ernst Emil Richter, of Wyomissing, Pa., and being by me duly sworn, says that he was employed by the firm of Schubert & Salzer, of Chemnitz, Germany, for a period of six years, from 1898 to 1905, as assembler and erector of "full-fashioned" knitting machines, and that the wages earned by him during that time were 32 pfennigs per hour (which is equivalent to 8 cents per hour), and that he is now employed by the Textile Machine Works, of Reading, Pa., doing the same work, and that the wages now earned by him are 45 cents per hour, which is almost six times as much as he formerly earned in Chemnitz, Germany.

ERNST EMIL RICHTER.

In testimony whereof I have hereunto set my hand and affixed my official seal, this 24th day of February, 1912.

[SEAL.]

CHARLES M. HUBER, J. P.

My commission expires May 6, 1912.

STATE OF PENNSYLVANIA, *Berks County*, ss:

On this 24th day of February, 1912, before me, the subscriber, one of the justices of the peace in and for said county, personally appeared Otto Schramm, of Wyomissing, Pa., and being by me duly sworn, says that he was employed by the firm of Schubert & Salzer, of Chemnitz, Germany, for a period of nine years, from 1901 to 1910, as erector of "full-fashioned" knitting machines, and that the wages earned by him during that time were 45 and 50 pfennigs per hour (which is equivalent to 11½ and 12½ cents per hour), and that he is now employed by the Textile Machine Works, of Reading, Pa., doing the same work, and that the wages now earned by him are 30 cents per hour, which is about two and one-half times as much as he formerly earned in Chemnitz, Germany.

KARL OTTO SCHRAMM.

In testimony whereof I have hereunto set my hand and affixed my official seal, this 24th day of February, 1912.

[SEAL.]

CHARLES M. HUBER, J. P.

My commission expires May 6, 1912.

STATEMENT OF MR. BENEDICT M. HOLDEN, OF HARTFORD, CONN., REPRESENTING THE NEW DEPARTURE MANUFACTURING CO., OF BRISTOL, CONN., AND OTHERS.

The CHAIRMAN. Please state your full name.

Mr. HOLDEN. Benedict M. Holden.

The CHAIRMAN. Where do you reside?

Mr. HOLDEN. In Hartford, Conn.

The CHAIRMAN. Whom do you represent?

Mr. HOLDEN. The New Departure Manufacturing Co., of Bristol; the Standard Roller Bearing Co., of Philadelphia; the Hyatt Roller Bearing Co., of Newark, N. J.; and the Timkin Roller Bearing Co., of

Canton, Ohio. Because of the technicalities involved in the manufacture of this product—

Senator SIMMONS. What is the product?

Mr. HOLDEN. Roller bearings.

Senator SIMMONS. What clause does it come under?

Mr. HOLDEN. Paragraph 5. Because of those technicalities I have asked Mr. R. S. Woodward, of the Standard Roller Bearing Co., of Philadelphia, Pa., to come here. Mr. Woodward's company is a manufacturer of this article; and I should like to have the committee hear him from the manufacturers' point of view.

The CHAIRMAN. The committee will be very glad to hear him, Mr. Holden.

STATEMENT OF MR. ROBERT S. WOODWARD, OF PHILADELPHIA, PA., REPRESENTING THE STANDARD ROLLER BEARING CO. AND OTHERS.

Mr. WOODWARD. Mr. Chairman and gentlemen of the committee, I will distribute these samples among the Senators so they can see what the article is. [Distributing samples of roller bearings.]

Senator SIMMONS. Do you say they come under paragraph 5 of the bill?

Mr. HOLDEN. Yes, sir.

Mr. WOODWARD. The manufacture of steel balls, ball bearings, and roller bearings in this country is of very recent development, for previous to the advent of the motor car the industry was so small as to be practically negligible. We can say, therefore, that any consideration of the subject is a matter of the past six years, and that the products are integral parts of the motor car.

There is at present invested in this country in this line of business about \$9,000,000, and the various manufacturers employ collectively between five and six thousand people, 95 per cent of whom are adult males.

The industry as a whole may be called the manufacture of anti-friction bearings. There are several different types of such bearings, all having special characteristics of their own; but so far as the use of one type or another is concerned they all perform the same general functions and enter into competition one with the other. Hence they should be considered collectively so far as any general argument is concerned.

The manufacture of anti-friction bearings requires the highest development of scientific handling of both labor and material, and there are factors entering into this industry which are applicable to no others.

Of the total amount of capital employed, practically \$9,000,000, at least 35 per cent, is invested in special apparatus, meaning by that term special equipment of plants and special machinery and stock, all of which, or about \$3,000,000, would in the event of liquidation be almost worthless.

The total domestic consumption of anti-friction bearings is estimated at between eight and one-half and nine million dollars, this being approximately the average for the years 1910 and 1911. Of this total, two and one-half million dollars represents the sale of imported bearings at American sales prices.

It will be seen, therefore, that under the present duty of 45 per cent the American manufacturer has approximately only two-thirds of the home market and his foreign competitor one-third, and that foreign competition is not a future possibility should the tariff be reduced, but is already an accomplished fact under the present tariff; for no contract of any magnitude is awarded without several of the large foreign manufacturers, German in particular, being represented.

Under such conditions, and handicapped as we are by our much higher scale of wages than that of our foreign competitors, and being compelled to meet their continued reductions in sales prices, we view with uncertainty the future of our business, and feel that unless we are fully protected the entire field will be absorbed by foreign competition, resulting in the loss of our business and a considerable portion of our invested capital.

Our present profits have been in most instances absorbed by development and experimental work, and the large depreciation on special equipment incident to a new and intricate industry of this character; and it can be stated that the domestic manufacturers, taken as a whole, have been unable to withdraw any appreciable profits from the business, all of them having been put back into the business with a hope to its further development. Any change in our present relation to foreign competition affects the stability of our business in the future and jeopardizes several years' returns on the capital already invested, which capital we were led to invest on the basis of the present tariff rate.

The suggested reduction in the tariff rate would make it possible for the foreign manufacturer to reduce his price in this country about 15 per cent, and it would be impossible for the American manufacturer to meet this reduction and continue business.

No reduction in the steel schedule will affect the price on our raw material to any appreciable extent for the reason that the materials used in the manufacture of antifriction bearings are of an entirely different nature from those required in the ordinary mechanical arts. They are known in general as alloy steel, are purchased in comparatively small quantities, are of special analysis and in many instances of special size, and do not exceed 15 per cent of the total cost of the product. It will thus be seen that a reduction upon raw material would have little or no effect.

The labor cost is the large factor in the total cost of manufacture. The average cost of the various kinds of material used in our products varies from 8 to 10 cents per pound. From the very nature of our product, requiring as it does the most extreme accuracy and the greatest amount of care, we are compelled to employ only the most intelligent class, which is at all times scarce and difficult to obtain, still further handicapping us as compared with our foreign competition. There is nothing that we know of in the mechanical arts at the present time that must be produced with anything like the same degree of care and accuracy, both as to labor and material, as the antifriction bearing. A variation in a bearing in excess of two and one-half ten-thousandths of an inch either way necessitates the discarding of that bearing for any commercial use.

This extreme accuracy requires, therefore, the most careful and scientific methods in the handling of both labor and material, and

the proportion of cost of the labor required in the manufacture of this product is a very large part of the total cost as compared with other lines of industry. This operates strongly against us—more so, we believe, than in any other line of metal product—and entitles us to your very full consideration.

It is known by those most familiar with labor costs that they are much greater here than abroad, being at least two and one-third times more in the United States than in Germany, from which country comes the majority of imported bearings, and about twice as much as in England.

We ask, therefore, a continuation of the present rate to enable us to continue the development of this industry, and we base our argument specifically upon the following grounds:

First. Our labor costs are from two to two and one-third times those of our foreign competitors.

Second. The advantage accruing to us by any reduction in the cost of raw material will be absolutely negligible, and there are considerable classes of material entering into the maintenance of our business which will not be affected at all.

Third. The best possible evidence of our inability to stand any reduction is that one-third of the total American consumption is even now in the hands of foreign manufacturers, and that unless we are properly protected the entire business is likely to pass to them.

Fourth. That in the manufacture of antifriction bearings we can use only intelligent and exceptionally high-grade labor; and, further, that the percentage of that labor entering into our costs is a larger factor than in almost any other industry.

Fifth. That the industry being of such recent development, we have had as yet no adequate returns.

Sixth. That the difference between our cost of production and the selling price is so small as to make it impossible for us, in the event of the proposed reduction in duty going into effect, to further share the home market with the foreign manufacturers.

Seventh. The foreign manufacturers—of whom but three were represented in this country two years ago, whereas now more than 12 find this an attractive market—supply one-third of the American demand, and at a satisfactory profit, or the trade would not continue, without the maintenance of any plant or equipment whatsoever, and without employing a single dollar's worth of American labor or the use of a single dollar's worth of American material.

Senator JOHNSON. What is the percentage of the labor cost of this article?

Mr. WOODWARD. It is about 60 to 70 per cent.

We have here with us Mr. Wade, who operated a factory for one of these companies in Berlin. He will explain to the committee later just what labor costs over there and various other matters in connection with it.

Senator SIMMONS. Do I understand you to say that the foreigners supply one-third of the present demand?

Mr. WOODWARD. That statement refers to one-third of the present volume of business; yes, sir.

Senator CULLOM. In the manufacture of these goods?

Mr. WOODWARD. Yes; in the manufacture of these antifriction bearings about one-third of the total use of them in this country is

supplied by the importer. The importer gets them mostly from Germany.

Senator JOHNSON. The demand has largely increased through the increased manufacture of automobiles?

Mr. WOODWARD. It has.

Senator JOHNSON. Have you been able to supply the demand of home manufacturers in this country?

Mr. WOODWARD. We could supply the demand if we could get the business.

Senator JOHNSON. How many concerns in this country manufacture these antifriction balls?

Mr. WOODWARD. About five or six. There are four represented here.

Senator JOHNSON. Where are they located?

Mr. WOODWARD. The New Departure Co. is at Bristol, Conn. The Standard Roller Bearing Co. is at Philadelphia. The Hyatt Roller Bearing Co. is at Newark, N. J. The Timkin Roller Bearing Co. is at Canton, Ohio. Then there is a smaller manufacturer at Buffalo, and I do not recall where the other one is. He is very small.

Senator JOHNSON. What is the cost per pound? Can you estimate the cost?

Mr. WOODWARD. We sell these products——

Senator JOHNSON. What is the cost, first?

Mr. WOODWARD. The cost of the raw material is about——

Senator JOHNSON. What is the whole cost, raw material and labor?

Mr. WOODWARD. It varies with the size of the article. A large bearing, such as I handed you, costs about \$1.25 a pound. The small one costs about \$3.75 a pound.

Senator JOHNSON. What do you sell the large ones for?

Mr. WOODWARD. The price is a little more than \$4.04. The cost is about \$3.75.

Senator JOHNSON. Is that the larger one?

Mr. WOODWARD. The smaller one.

Senator JOHNSON. I inquired first about the larger one.

Mr. WOODWARD. The larger one sells for about \$7.10.

Senator JOHNSON. And the cost to you is how much?

Mr. WOODWARD. About 50 cents less than that. It makes all the difference in the world, Senator, whether these things are manufactured in lots of a thousand or whether they are manufactured in lots of 100, or 1 or 2 at a time. We can not make any money on those bearings unless they are put through in large lots.

Senator JOHNSON. You get your orders largely from the automobile manufacturers; do you?

Mr. WOODWARD. The automobile industry uses most of these bearings. They are coming to be used, however, in other branches of industry, because they will save from 15 to 50 per cent of the power. I should like to spin that bearing for you, and show you just what a free-running thing it is [demonstrating operation of bearing].

Senator SIMMONS. Is it used on anything except automobiles?

Mr. WOODWARD. Yes, sir; it is used in machinery of various kinds. It is coming to be more and more used, although not very largely yet.

Senator SIMMONS. It is used in machinery employed in what industries?

Mr. WOODWARD. Flour machinery, wood-working machinery, and elevators; it is coming to be used on ships, and it is coming to be used on trolley cars.

Senator SIMMONS. You say one-third of all the product that is used comes from abroad?

Mr. WOODWARD. One-third of the total use of these bearings is made abroad.

Senator SIMMONS. What did you say was the total production?

Mr. WOODWARD. About \$9,000,000 worth.

Senator SIMMONS. In the tables furnished in the report of the House committee I find this statement: That the value of the imports of antifriction balls in 1910 was \$1,326,922, and in 1911, \$1,083,894. So, according to that, it would not be much more than one-ninth of the whole.

Mr. WOODWARD. Senator Simmons, that is just the point I should like to bring out. That is the price abroad—the price in Germany. You must add to that 45 per cent duty; you must add from 5 to 6 per cent for carriage across the water and insurance; then you must add the selling cost in this country, the cost of advertising, the cost of warehousing the goods; and the fact of the matter is that they are sold in this country at about twice that figure.

Senator SIMMONS. When you mentioned \$9,000,000 as the total output, did you include in that the selling cost and everything?

Mr. WOODWARD. Yes.

Senator SIMMONS. Or is that the cost of production?

Mr. WOODWARD. No; that is the selling cost, including the importations.

Senator SMOOT. And the importation prices given here are whatever the goods may be undervalued, too, are they not?

Mr. WOODWARD. They are; yes, sir. There has been that undervaluation.

Senator SIMMONS. Following that table a little further, I find that the duties in 1911 amounted to \$487,752; so that the invoice price plus the duty that year amounted, in round numbers, to about \$1,600,000.

Mr. WOODWARD. Yes.

Senator SIMMONS. Do you say they sell in this country at twice the invoice price?

Mr. WOODWARD. Approximately twice.

Senator SIMMONS. Twice the invoice price?

Mr. WOODWARD. About twice the invoice price; yes, sir. They have to advertise the goods; they have to sell them; they have to carry them and pay those costs; they have to deliver them.

Senator SIMMONS. Do you know what the invoice price is?

Mr. WOODWARD. I can tell you very closely for any given size of bearing.

Senator SIMMONS. Take that large one.

Mr. WOODWARD. I have not the exact information, Senator. I can get it for you very closely.

Senator SIMMONS. If they were to sell that for twice the invoice price here, would not that be higher than you are selling yours for?

Mr. WOODWARD. It might in some cases and it might not in others. There is not any positive rule about it. There is a good deal of imagination about it.

Senator SIMMONS. If the undervaluation is as glaring as that, I am surprised that the customs officials have not taken cognizance of the fact. I thought we had a board now whose duty it was to see that these imports were not undervalued.

Mr. WOODWARD. There has been a great improvement in that respect, Senator Simmons, during the last three years.

Senator SIMMONS. Can you tell the committee what these antifric-tion balls sell for in England and Germany?

Mr. WOODWARD. No; I can not tell you exactly. We export about 1 per cent of our product.

Senator SIMMONS. Where do you export it to?

Mr. WOODWARD. It largely goes to England. It consists of steel balls. I should like to show you what a steel ball is.

Senator SIMMONS. What proportion of your output do you export?

Mr. WOODWARD. Less than 1 per cent. Those are the large size. [Producing samples of steel balls.]

Senator JOHNSON. That is what you export from your factory?

Mr. WOODWARD. That is what we export.

Senator JOHNSON. Do you know what the others export?

Mr. WOODWARD. They export less than that.

Senator SIMMONS. What is that used for?

Mr. WOODWARD. That is a ball that is used for making an antifric-tion bearing. It may go in a larger size of one of these bearings, such as you have there. There [producing samples] are some small ones.

Senator SIMMONS. When you sell those to England, do you sell them at a lower price than you do in this country?

Mr. WOODWARD. We sell them in this country at about 50 cents. We sell them abroad at about 31 cents.

Senator SIMMONS. Why do you do that?

Mr. WOODWARD. We do it for this reason, Senator Simmons: There is a market for antifric-tion bearings if they are made over there. We have a man who represents us in England, and he can sell some steel balls. We are desirous of keeping that connection until we can get our manufacturing started in England. That is the only way to compete—the only way to get that business over there.

Senator SIMMONS. You want to establish a plant over there?

Mr. WOODWARD. We shall before very long establish a plant over there; yes, sir.

Senator SIMMONS. You sell those for 45 cents here, you say?

Mr. WOODWARD. About 50 cents here and 31 cents over there.

Senator CULLOM. Why do you want to establish a plant over there?

Mr. WOODWARD. Because we can not manufacture in this country and sell over there at a profit. We can not break even on it. We lose money.

Senator CULLOM. So you are going abroad?

Mr. WOODWARD. We have to go to England to get that business.

Senator SIMMONS. Are you making money or losing money when you sell them in this country for 50 cents?

Mr. WOODWARD. We make a little money.

Senator SIMMONS. You must lose when you sell them in England for 31 cents, then?

Mr. WOODWARD. We do, Senator Simmons; but 1 per cent of our sales is a very small amount. We are willing to lose a little there to keep that connection, to keep our name there.

Senator SIMMONS. You do not get your name there very much with 1 per cent of your product, do you?

Mr. WOODWARD. Through our representative there we are known to most of the consumers by having lists sent around.

Senator SMOOT. Do they buy little or much?

Mr. WOODWARD. Little.

Senator McCUMBER. Are these products patented?

Mr. WOODWARD. Yes; they are largely patented. The large bearing that I showed you first, that first kind of bearing, we pay royalty on to a German concern. This industry was developed about seven or eight years ago. The German Deutsche-Waffen-Fabriken employed a man named Stribech, a professor in one of the institutions, to make a thoroughly scientific investigation of this subject, and he did so. Then this German corporation got some patents on their product. Now we pay a royalty to them on that product.

Senator McCUMBER. This is a German patent, then?

Mr. WOODWARD. It is owned by a German concern. It is an American patent.

Senator McCUMBER. If you are paying a royalty here, how can anyone else sell the same thing in this country?

Mr. WOODWARD. The matter is not yet clearly decided in the courts. It is a matter of litigation. This German concern proceeded against us first and we took a license. Now they are proceeding against other makers. Whether they will be successful or not I do not know. Of course, if they are not successful, if the patents are not sustained, we will cease to pay the royalty. But it was a matter of necessity at the time, when the court held that their patents were valid, to either stop or pay the royalty—and we are now paying the royalty to that German concern.

Senator SIMMONS. Do they manufacture a similar article in England?

Mr. WOODWARD. It is almost exactly the same thing, sir. It is made to the same sizes within two-tenths of a thousandth of an inch. This whole product is made and guaranteed to within two-tenths of one-thousandth of an inch. The ordinary sheet of paper is two or three thousandths in thickness. It is the most accurate work there is, sir. I might say to you that four years ago we had to educate two of the best steel makers in this country to make a steel that would do this work. They did not make it. They did not know how to make it. We had to send our own metallurgist into their mills and let him stay right there until they did just what we wanted done.

After getting the right steel it is useless until it is properly heat treated. If you raise its temperature perhaps to 1,400° and then cool it, you might better have cast iron. If you raise it to 1,425° or 1,450° and then cool it properly, it is the finest metal that ever has been made. If you had raised it to 1,550°, you would have spoiled it again. In other words, it has to be handled most carefully. All of our treatment furnaces are very carefully pyrometered, so that we know exactly what the temperatures are, and it is impossible to make the product unless you do that.

The accuracy required in manufacturing those steel balls is greater than I was mentioning. They vary less in the various diameters and sets of the various balls than one-tenth of a thousandth. I have a

report here from Dr. Stratton, of the Bureau of Standards, who examined some balls for us and measured them. He says:

The above figures are correct to—

Not four-tenths of a thousandth, but—

To four-hundredths of a thousandth of an inch for the absolute diameters, and to two one-hundredths for the range of diameters of single balls. Summarized, from the measurements made, all the balls seem to be spherical well within one-tenth of a thousandth of an inch (the previous figures show it is about half that), and most of them are so within five one-hundredths of a thousandth of an inch.

This is an industry that is next, gentlemen. It was developed in Germany. We are following as fast as we can. If we can have the same protection we have now for a number of years, we can develop this business and keep it.

Senator SIMMONS. How long have you been manufacturing in this country?

Mr. WOODWARD. The business has practically developed within six years.

Senator SIMMONS. You have been in the business only six years?

Mr. WOODWARD. I personally have been in the business three years.

Senator SIMMONS. But they have been manufacturing in this country for six years?

Mr. WOODWARD. Yes, sir. We had to go through a great deal of experimental work, a great deal of trying to find out. For instance, a steel maker would come to us and say: "Now, I know just the steel you want; I would like to send you some of it," and he would send it along, and he did not know at what temperature it had to be heat treated; he did not know what the chrome content was, what the nickel content was, what other alloys were in it, and what their effect might be on the temperature of heat treatment. We had to discover that; and finally, in order to get the steel for this work, we had to write our own specifications, and say to the steel maker: "Now, make that, and we will take nothing else, and we will analyze every bar that comes in." I want to say to you, gentlemen, that in this high-grade alloy steel we do analyze every bar to see that it is according to the specifications.

Senator SIMMONS. Where do you get your raw material?

Mr. WOODWARD. We get it from the Crucible Steel Co. in this country, and the Holcomb Steel Co., and we get a little abroad. We keep in touch with the foreign market.

Senator SIMMONS. Do you know the German price?

Mr. WOODWARD. I know that we can import it for practically the same price that we pay here. There are some steels made abroad that we can import at a less price—a considerably less price.

Senator SIMMONS. After the duty is paid, the price to you is the same as that in this market?

Mr. WOODWARD. That is approximately the case, now; yes, sir. As I say, there is steel which can be imported at considerably less than the price charged in this country.

Senator SIMMONS. Are you talking now about the raw material or about these products?

Mr. WOODWARD. I am talking about the raw material, Senator, in the bar stock.

Senator SIMMONS. I was asking the German price of this ball here, and of the antifriction bearing there. Do you know what it is in the German market?

Mr. WOODWARD. It is approximately half. I can not tell you offhand just what that bearing sells for abroad. I can get that information for you if you want it.

Senator SIMMONS. I should like to have that information.

Mr. WOODWARD. I will get it for you.

Senator McCUMBER. What does it sell for here, approximately?

Mr. WOODWARD. That bearing sells for a little over \$7—about \$7.10.

Senator SMOOT. Have you any information showing the difference between the wage scale in Germany and that in this country for manufacturing this class of goods?

Mr. WOODWARD. We have here Mr. Wade, who is superintendent of the New Departure Co. Mr. Wade is a Georgian by birth. He went to Connecticut in the mechanical industry and has become superintendent of that company. Some years ago the company decided to manufacture in Germany because they could not compete over there with a product made here, and they sent Mr. Wade over to open and run that shop in Germany, right close to Berlin. The committee, I think, has had the time books which Mr. Wade kept when he was there. Mr. Wade is here, and he will be very glad to explain that matter to you in exact detail.

If there is nothing more, I will give the floor to Mr. Wade.

Senator SIMMONS. You said you were selling this ball over there for 20 cents less than you sold it for here—about 19 cents less than you sold it for here.

Mr. WOODWARD. That is correct.

Senator SIMMONS. That is, you are selling it that way in England?

Mr. WOODWARD. Yes.

Senator SIMMONS. How do you know the Germans are not selling these balls in our market for less than they are selling them for in their own market, just as you sell in their market for less than you do in ours?

Mr. WOODWARD. Because we meet the German price here. We know the German price here. We watch that pretty closely.

Senator SIMMONS. But you say you sell for less there than you do here.

Mr. WOODWARD. Yes.

Senator SIMMONS. The question I ask you is, How do you know that they do not sell for more there than they do here, just like you do?

Mr. WOODWARD. I do not quite catch the point.

Senator SIMMONS. You say you are selling in England for less than you sell for in America?

Mr. WOODWARD. Yes, sir.

Senator SIMMONS. How do you know that when the German meets your price here he is not selling for less in this country than he sells for in Germany.

Mr. WOODWARD. I do not know of my own knowledge from having actually gone and made a purchase and come here; but I know he has to pay 45 per cent duty, and I know about what his range of prices is, and about what he sells for here. He sells for a little better than 50 cents here—about 55 cents.

Senator SIMMONS. Is that your only knowledge of the price in the German market—the price here?

Mr. WOODWARD. Yes, except in a general way. We have not made any careful investigation to see just what the Germans are selling for.

Senator SIMMONS. The point I had in my mind was that if you sold your product in the foreign markets for less than you do here at home, the German might be doing the same thing.

Mr. WOODWARD. In this country?

Senator SIMMONS. Yes. If you can do it, he may do it. If you are doing it as a business proposition, he may be doing it as a business proposition.

Mr. WOODWARD. If you will bring the tariff down and let him in, I guess he will be very glad to. We can get the exact information, if you want it, about these various products—the prices for which they are sold in Germany. We meet the prices in England.

Senator SIMMONS. If you can give us any information that is reliable as to the German price in the German market, I should like to have it.

Mr. WOODWARD. We will get that for you with pleasure. We will get that completely. Would you like to have it in England, too?

Senator SIMMONS. Yes.

Mr. WOODWARD. All right, sir. We will have such a statement prepared and submit it to you, sir.

Senator SMOOT. Submit it as part of your remarks.

Mr. WOODWARD. Yes, sir.

STATEMENT OF MR. JOHN F. WADE, REPRESENTING THE NEW DEPARTURE CO., OF BRISTOL, CONN.

The CHAIRMAN. You are superintendent of what concern?

Mr. WADE. I am with the New Departure Manufacturing Co., of Bristol, Conn.

I am here more especially in the interest of labor conditions, as I know a good deal in regard to that, having been brought up as a laborer myself and having worked at the different branches since I was 9 years old up to the present time. After leaving the cotton plantation I was for a number of years in the mercantile business. Leaving that in 1889 I entered the manufacturing business with the New Departure Manufacturing Co., now of Bristol, Conn. I started to work with them as a bench hand and continued for a number of years, working my way up from the bench work to contractor, from that to foreman of the different departments, and finally to general superintendent of the whole plant.

In 1904 we were forced to go to Germany to protect our patents; and the company saw fit to send me to Germany to establish a factory. It was necessary for me to remain there until the beginning of 1910. It seemed to me that my experience over there in regard to the labor question would be very valuable to this committee; and I have saved the books that I had with me, which I will present to the committee later, and have everything complete, with the exception of the book that we kept with the rate of each man—a little handbook that the timekeeper kept, with the prices. But I have one book that the Senate can easily understand, that was kept by my

boy the first year I was over there, and was kept in a very simple manner.

The time books, kept according to the German Government rules, might puzzle you, because they are somewhat mixed up, as we have to keep the *kranken kasse*, or what we would call a sick benefit, separate from the other items. This sick benefit, of course, we must deduct each week from each one of the laborers; and the company must place the same amount to the credit of each individual; and once a month it is collected and paid in to the Government for the benefit of the working class. That covers sick benefits, you know, such as doctors' bills and bills which necessarily result in sickness, taking care of hospitals, etc.

There is no doubt that this would be very, very valuable to you; and I have been thinking for a few days that if I could secure the rate of wages in the foreign countries it might also be valuable to you gentlemen in considering this matter of the tariff rate. I have here a chart that I started to prepare, but I have only America, England, and Germany put down on it.

I wish to talk to-day from the laboring standpoint more particularly than anything else, as, to my mind, all that we really need is to bring the scale of wages of the foreign countries up to a level with the scale of wages of America.

Senator SIMMONS. Right there I wish you would tell me, if you know, what is the German duty on this product that you are going to talk about?

Mr. WADE. The duty, I believe, is 45 per cent at the present time.

Senator SIMMONS. The same as ours?

Mr. WADE. The German duty? Oh, I do not know. I do not remember in regard to that. I am not posted on much of anything except the labor end of it. That possibly can be obtained for you.

Senator SIMMONS. It is protected over there by a high rate of duty, is it not?

Mr. WADE. I am not sure as to that matter. You see, I was not in the ball-bearing business or roller-bearing business in Germany. We were there simply to protect our patent on the coaster brake.

Senator SIMMONS. I thought that was the industry in which you claimed to have the wage?

Mr. WADE. We have the scale of wages, which is practically the same in the coaster-brake business as it is in the roller-bearing and ball-bearing business.

Senator SIMMONS. You have not the wages in the roller-bearing business, then?

Mr. WADE. No, sir; but we use the same class of help, you know. It is practically the same thing. We use similar machinery, with the exception of some special machinery that is provided for special operations.

Senator SMOOT. The same wage scale applies to both classes of workmen in this country, does it not?

Mr. WADE. Yes, sir.

Senator SMOOT. And no doubt it would in Germany.

Senator SIMMONS. I do not understand why you went over there to protect the patent on this product here—antifriction bearings.

Mr. WADE. It was a coaster and brake combined. You see this product was invented since I was in Germany—that is, the latter part

of the time I was over there. It was started in this country. I did not manufacture ball bearings in Germany. It was a coaster and brake combined.

I should like to submit this chart to you gentlemen as showing the comparison between the three countries where I could obtain the prices.

In America our average scale is 23 cents per hour. In England it is 14 cents per hour. In Germany it is 10 cents per hour. You will bear in mind that the German scale of wages which we paid was paid in Berlin—that is, in Weissensee, which is about 100 yards from the Berlin line. It is all built right up together, and is practically the same city. The factory is just over the Berlin line. But we have here the highest wages paid in continental Europe. [Exhibiting chart to committee.] Berlin, of course, as is generally known, does pay the highest wages on the Continent.

Senator SIMMONS. Right there, if you will pardon me. Our average rate is 23 cents; the rate in England is 14 cents; and in Germany 10 cents. Do I understand you as arguing to the committee that the rate of 23 cents in this country is a result of tariff protection?

Mr. WADE. No, sir; I do not say what it is the result of, only the high cost of living, I should judge. We have to pay higher prices over here, but I do not see that the laboring man lives any better here than he does on the other side for that matter.

Senator SIMMONS. Are you not arguing to us that this rate ought to be kept up at what it is now because, as a result of the tariff, wages are higher in this country, and will continue higher?

Mr. WADE. Yes, sir.

Senator SIMMONS. They have no tariff duties on these things in England. That is a free-trade country. They have a tariff very much like ours in Germany—our protective tariff. How is it, then, that being so, that in free-trade England the wages average 4 cents higher than they do in protected Germany?

Mr. WADE. I do not know; I can not account for that myself. I got that scale of wages from a friend that established a factory in Ohio, Mr. Timkin. The Timkin roller-bearing people furnished me that information as to England.

Senator SIMMONS. It would look from that statement as though protection in Germany does not have the same effect upon wages that you contend it does in this country, in view of the fact that in England, a free-trade country, the wages are higher than they are in this protected country, the two being separated by only a short distance from each other.

Mr. WADE. I could not tell you what makes the difference between England and Germany.

Senator SMOOR. Is it not a fact that in Germany the duty that is placed upon the product there is to protect the German market from any other outside manufacturer? And is it not also a fact that the German market is so small, and their manufacturers are so great and so many, that they are compelled to go into the world's trade or world's market and secure an outlet for their production, and that the standard of living and rate of wage established in that country have been established for the purpose of controlling the trade outside of Germany?

Senator SIMMONS. What is a day's work over there? What are the hours of employment?

Mr. WADE. When we started, we started with 10 hours' work. That is, we started at 7 o'clock, stopped for a second breakfast at half past 9, shut down for an hour at noon, and stopped for coffee at half past 4.

Senator SIMMONS. So it amounted to 10 hours?

Mr. WADE. We figured 10 hours out of it. Not being accustomed to that, I got together the heads of the different departments and insisted that that be changed, to see if we could not work in a way that would not result in wasting power so often. So finally we adopted a 9-hour day, quitting at 5 o'clock, and cutting out the coffee in the afternoon.

Senator SIMMONS. Nine hours is a day over there?

Mr. WADE. Yes, sir; but they also work 10 hours.

The CHAIRMAN. How long do they work on Saturdays?

Mr. WADE. We quit every Saturday at 5 o'clock.

Senator SIMMONS. You work six days a week?

Mr. WADE. Yes, sir.

Senator SIMMONS. What are the hours in the American industry?

Mr. WADE. We work 10 hours a day, with the exception of Saturday, when we work 9 hours.

The CHAIRMAN. Are there any further questions to be addressed to Mr. Wade? Have you anything further to state to the committee, Mr. Wade?

Mr. WADE. No; nothing further that I know of, except that I should like to say to the committee that in considering this wage matter on behalf of American workmen I feel that it is our duty that it should be figured from a labor standpoint. Of course the manufacturers can live where the workmen can not. For instance, if we close our factories to-day, the manufacturer has some money which he can still live on. But being placed at the head of the city, as I am, and seeing how quickly the poor class of laboring people have to apply for charity, I take this stand.

For instance, some of the neighboring factories have been closed down. Ours have been very fortunate; we are running full time at present; but I know some of these poorer classes of men, you know, that are not skilled workmen. Only last week I had a man come to my house—that is, his wife came to my house after he had applied at the factory, and also came to my office down at the city hall—seeking work, and hated very much to ask for aid from the city.

When I see these things, gentlemen, although I never was in favor of a tariff bill, having been brought up in the South and always having been opposed to a tariff, actual experience has proven to me that it is absolutely necessary in order to protect the American people—that is, the wage earner. And seeing it from both sides, having been brought up as a laborer and having gotten up to where I can look at the other side of it—and not only that, but viewing it, as I say, from the charity standpoint—I should like very much to have you consider this matter if you will.

The CHAIRMAN. You are mayor of Bristol, are you not, Mr. Wade?

Mr. WADE. Yes, sir. I will say that the election there was very close. The Democrats and Republicans both turned out in a body to elect me. Of course I have been affiliated with the Democratic

Party, and for a great many years I have been at the head of the borough government. That was before I went abroad.

Senator SIMMONS. You were elected as a Democrat, were you?

Mr. WADE. I was always elected as a Democrat.

Senator McCUMBER. A protection Democrat.

Mr. WADE. In this last election, which was the first election in which I ever took any interest, it is a strange fact that the Democrats and Republicans both turned out in a body to try to elect me against a Socialist ticket, which I defeated by only 10.

Senator SMOOT. Let me ask you a few questions. In the first place, when you send in the statement that you promised the committee you would send, if you are not using these books, I should like very much to have you leave them with the committee, because your figures may be questioned on the floor of the Senate.

Mr. WADE. Yes, sir; I shall be glad to do so.

Senator SMOOT. I should like very much to have the books there to substantiate the statement that you may send. Then, again, you made the statement that the workingman in Germany is just about as well off as the workingman in this country. Did you mean that?

Mr. WADE. Considering the cost of living and such like.

Senator SMOOT. I have spent quite a good deal of time in Germany and I got an entirely different impression. Does not meat cost as much in Germany as it does in this country—I mean the same class of meat?

Mr. WADE. If you eat the same class of food that we do here, it does. My expense of living the first two years I was there was more than in America.

Senator SMOOT. Ah, certainly.

Mr. WADE. I wanted a good beefsteak, and I got it, and I had to pay for it.

Senator SMOOT. Yes; you had to pay for it.

Mr. WADE. I had to pay 45 cents a pound in American money for a good beefsteak.

Senator SMOOT. I have done the same thing; so I wanted to call your attention to the statement you made.

Mr. WADE. I am glad you did.

Senator SMOOT. The flour that the German buys costs him just as much in Germany as it costs here?

Mr. WADE. The average workman does not eat much flour there, aside from rye bread, you know.

Senator SMOOT. That is in the case of the workman; but when he really wants a piece of white bread, such as an American wants, he has to pay for it, does he not?

Mr. WADE. He has to pay a good deal more than you pay here.

Senator SMOOT. Certainly.

Senator McCUMBER. What you mean, then, is that he is willing to live on a great deal less there than he would be here?

Mr. WADE. He is willing to live on a great deal less there than he would be here.

Senator SMOOT. And he knows nothing better?

Mr. WADE. Yes. I would like to say this, right here, in regard to that; I have gone to the market myself, evenings, to investigate these things, because it puzzled me when I first went there to know how the people lived. They all seemed to be healthy and good-natured,

and seemed to be getting along fairly well. But it was the first time in my life that I ever saw a lady buy one-eighth of a pound of meat. My wife was with me. We stayed around in the market then, looking to see how the things were conducted. It is a result of the manner in which they are doing it. They seem to fare well and to be well contented; but if they live the same as we do here it will cost them a good deal more, and they can not earn enough to pay for what they do eat.

Senator SMOOT. It is true that rye bread, such as they eat, is cheaper than the bread that the American workmen eat?

Mr. WADE. Yes; that is true.

Senator SMOOT. It is true that the beer that they drink is cheaper than the beer in this country?

Mr. WADE. There is no question about that.

Senator SMOOT. None at all.

Mr. WADE. Because you can get a quart of beer there for 3 pfennigs, of the very best.

Senator SMOOT. But if the laboring man in Germany lived upon the same high standard of living, and bought the same class of goods that are bought in America—that is, if he had to buy them in Germany—he could not possibly do it, could he?

Mr. WADE. It would be impossible, because the highest rate of wages over there would be \$1.50, and you know how far that would go here, if he had to pay the same prices.

Senator SIMMONS. He has to eat horse steak instead of roast beef.

Mr. WADE. He could not do it. He could not eat but about once a week, if he did that.

Senator SMOOT. I understand also that the things upon which people subsist over there cost about as much as they do over here.

Mr. WADE. That is true, if you eat beef, for instance. I have had a beefsteak over there which cost what was equivalent to practically 45 cents a pound.

Senator SIMMONS. And I understand that some of the things which they eat there cost more than they do here.

Mr. WADE. How is that?

Senator SIMMONS. Some of the eatables which they consume there cost more than they do in this country?

Mr. WADE. Certainly.

Senator SIMMONS. And some cost a little less?

Mr. WADE. Some cost a great deal less.

Senator SIMMONS. Taking it altogether, do not the things which a man consumes—which he eats—over there, cost something like as much as they do here?

Mr. WADE. No, sir; not to the average man they do not.

Senator SIMMONS. I understood you as claiming in your first statement that the prices of things that are used in living were something about the same there as they are here, but that the German laborer did not live as high over there as they did here.

Mr. WADE. He does not eat the same class of food there as here; and clothing is much cheaper there, except for cotton goods. If you buy cotton goods, you have to pay more for them than you do in America.

Senator SMOOT. That is, if the workman buys his jumper and socks and overalls, all made of cotton, he pays as much as in this country?

Mr. WADE. Yes; more than in this country.

Senator SMOOT. I suppose in Germany they have the same system as they have in England; they have first-class markets and second-class markets and third-class markets?

Mr. WADE. You can get almost anything you want in almost any of those markets.

Senator SMOOT. If you go to the city of Liverpool and go up Scotland Road, up to the third-class market, and see what they have there, no man ever lived who would want an American to go there and buy that sort of stuff, which has been to the first market and been picked over there, and been sent to the second market, and rotted there, and then gone to the third-class market.

Mr. WADE. They do not have that class of markets in Germany.

Senator SIMMONS. We have some little difference in that respect in our markets here, have we not?

Mr. WADE. What; in regard to the class of markets?

Senator SIMMONS. Yes; do you not have a higher class stock here in some markets than in others?

Mr. WADE. Yes; so far as the prices are concerned, they vary in the different markets. But in Berlin or anywhere in Germany, if you are willing to live on horse meat you can live a good deal cheaper than you can on beefsteak.

Senator SIMMONS. Is there any considerable amount of horse meat consumed over there?

Mr. WADE. A great deal. I knew 70 butchers to be arrested in one week for selling horse meat for beef.

Senator SMOOT. In France it is not against the law to sell horse meat.

Mr. WADE. It is not against the law in Germany to sell it, but it must be represented for just what it is; and it is much cheaper than beefsteak. For a long time after I went there I did not eat much steak.

Senator SIMMONS. Do the German laborers use much horse meat?

Mr. WADE. A great deal; yes. There is a horse-meat market within 200 yards of our factory.

Senator SIMMONS. Is there any prejudice against horse meat over there?

Mr. WADE. No, sir.

Senator SMOOT. It is better than nothing?

Mr. WADE. Oh, yes. I have no doubt eaten it many times, without knowing it. Going through the country, you know, you never know what you are getting, at these little restaurants and hotels. For a while after I got over there I had a great aversion to it, but I finally got so I did not mind it much.

Senator SMOOT. It is something like savages eating dog.

Mr. WADE. Yes.

Senator SIMMONS. You found the German laborer a pretty healthy specimen, did you not?

Mr. WADE. Yes.

Senator SIMMONS. And reasonably contented?

Mr. WADE. Yes. Those people have never been outside of their own country, you see.

Senator SMOOT. And many of them have never been outside of their own towns?

Mr. WADE. Yes.

Senator SIMMONS. There are some in this country who have not been outside of their own towns, too.

Senator SMOOT. That is a very limited part of the population of the United States, however.

Mr. WADE. Yes. People of the laboring class over there, if they go from one place to another, must carry their permit from the last place where they worked, and also a permit from the police department, otherwise they can not obtain a job in another community. They can not go from one part of the same city to another unless they have a document showing where they worked before. The conditions are quite different from what they are here.

Are there any other questions you gentlemen would like to ask me?

Senator SIMMONS. I have been recently reading a book, written by Mr. Jenks, of the Immigration Commission, giving the diet of some people who are working in the mines, and of some of those who are working in the factories in this country, and from that book I gathered the impression that there is a large number of these foreigners who come over here and work in these mines who do not eat any meat.

Mr. WADE. Probably some of them do not. I have seen some of those who have come over, that we employed around the city for sewer purposes, and so forth, sit down with a part of a loaf of bread and make a dinner off of that and some green apples, or something like that, in the spring of the year.

Senator SIMMONS. According to this book which I have been reading—I read some of it last night—there are a large per cent of the Italians who are working in some of these mines who live almost entirely upon sausage.

Mr. WADE. Yes.

Senator SIMMONS. And macaroni.

Mr. WADE. You will find that true in Europe, almost all over, where they use macaroni.

Senator SIMMONS. The wages of those men run from \$7 to \$9 a week.

Mr. WADE. I could not say.

Senator SMOOT. That is for girls and boys.

Senator SIMMONS. The girls are away down to \$5 and \$6. The men make from \$7 to \$9. I have not that book with me, or I would like to read from it.

Mr. WADE. What was that? Excuse me.

Senator SIMMONS. In the woolen mills and the cotton mills they pay, on the average, \$7 to \$9.

Mr. WADE. \$9?

Senator SIMMONS. Yes.

Mr. WADE. I do not believe that Italy would be much ahead of Germany, would it, in regard to the wages that they pay? They would not pay much higher wages in Italy than in Germany?

Senator SIMMONS. I am talking about the Italians who come to this country.

Mr. WADE. Oh, in this country. I misunderstood you.

Senator SIMMONS. The Italians working in this country, I am speaking of, living on sausage and macaroni, and the men getting about \$9 a week.

Senator SMOOT. I know this, that no man who is working in a woolen mill who is working upon any machine that produces any kind of cloth gets more than that per week. Of course in the woolen mills there are a great many girls and a great many boys, but the Senator is speaking of the average wage of the men. The men do not get that price.

Senator SIMMONS. I can only give you what Mr. Jenks says about it.

Senator SMOOT. Well, I know about it from personal experience. I do not know what Mr. Jenks says.

Senator SIMMONS. That is my recollection of what he says, that that is the average wage of this particular class of laborers.

Mr. WADE. That is in the woolen mills?

Senator SIMMONS. From southeastern and eastern Europe, the working class; those working in woolen and cotton factories and in our mines here.

Mr. WADE. You are speaking about the woolen mills?

Senator SIMMONS. I am speaking of the woolen mills and the coal mines.

Mr. WADE. We can not use the same class of labor when you come to these bearings, roller bearings and ball bearings, and so on. We must have skilled labor or we can not do any business. We have laborers that we have been working with since I returned from Europe for fully two years, trying to train these average workmen, at \$2.50 to \$3 a day, for the machine operating, and we find that we must be very careful on that, because we must work to such close figures that the average laborer could not be put on those machines, because he could not read his micrometer, and these laborers who are making from \$1.50 to \$1.75 a day do not know the figures on the micrometer, and one of them could not read the dial gauges that we have. We must have a better class of help to do business in that particular line.

Senator SIMMONS. Yes; but you had given here the diet of the German laborer, and as against that I was giving you the diet of a large percentage of the laborers who are employed as wage earners in this country.

Mr. WADE. Yes; that is very good.

Senator SIMMONS. Which went to show that they did not live very much higher than their brethren in Europe, according to your testimony.

Mr. WADE. I could not say as to that. Our cheapest wages that we pay in our factory are for sweeping our floors, and for that we have mostly Italian labor, and for the sweeping of the floors we pay \$1.75 a day for 10 hours. That class of men you can not put on the machines. That same class we use outside, and we give them outdoor work at 20 cents an hour; that is for digging ditches and such outside work as is necessary around the plant. We can not use that class of labor in making our bearings. It would be impossible. We have trouble enough with the very best labor that we can obtain, in regard to making our bearings up to the standard to which they should come. Is there anything further?

The CHAIRMAN. I guess that is all, Mr. Wade. The committee will now hear Mr. Romney Spring, representing the Waltham Watch Co., Boston, Mass.

**STATEMENT OF MR. ROMNEY SPRING, REPRESENTING THE
WALTHAM WATCH CO.**

Mr. SPRING. I have prepared on behalf of the Waltham Watch Co. a brief stating the position of the Waltham Watch Co. For fear of taking too much of the time of the committee, I will not read it now, unless the committee wants to have me do so.

The **CHAIRMAN.** The brief will be received and printed.

Mr. SPRING. With the brief I desire also to submit several specimens of Swiss watch movements which were bought recently in the open market; and I think that I will trespass on your time long enough to state what I bought them and submit them for. This relates to the marking provisions. The marking provisions which were put in the act of 1890 required the number of jewels and the place of origin to be stamped indelibly on the face of the movement. That was to prevent fraud, because it would be easy to mark them after they came in, and if they were marked correctly after they came in the fraud then would be on the Government, by undervaluation, and if they were marked incorrectly, then the fraud was on the consumer. That sort of fraud was very prevalent, and the insertion of that marking provision was a thing that no honest importer could or, so far as I know, did object to. In the present House bill they have made one change which I think is unfortunate. They have permitted the number of jewels and adjustments to be marked either in words or Arabic numerals. Now, the House was apparently under a mistaken impression that it would be impossible or difficult to mark on these small watches both in words and Arabic numerals. One of these watches I have there is the smallest regular watch that is imported into this country. It is about the size of a 10-cent piece. It is perfectly plainly marked with all I want marked on it. I have also put in there several other watches larger in size.

I would like to have one of our foremen address you in regard to labor conditions in the Waltham factory. He having been for many years in our employ, he knows the conditions in detail and can state them better than I can. Will you allow Mr. Eaton to address you?

Senator JOHNSON. Do you export watches made in your Waltham factories?

Mr. SPRING. Yes, sir.

Senator JOHNSON. Where?

Mr. SPRING. We sell export watches in England. We sell very few on the Continent of Europe. We sell some in Japan, a few in Australasia, and a few in South America. That is all stated in detail in my brief, I might say.

Senator SMOOT. And the reason is what?

Mr. SPRING. As I suppose everybody knows, the watch business in this country varies with the times. When there is a depression—and apparently America can not go on steadily on a prosperous career—whenever there does come a depression, the very first thing to feel it is the watch business. A watch business is very highly organized. Not only is the machinery delicate, but all our employees are of a high character. They are selected with the utmost care, and we must keep them together in times of depression, because if we were to shut down or were to go down to a small basis of manufacture and let our help go, in good times we never could get them together. Not only

would it be a great hardship on the employees, who would be absolutely thrown out and have nothing to live on, but it would be a very serious handicap to the factory. So we try to keep our factory running in good and bad times. We do not sell cheaper abroad than we do in this country.

Senator JOHNSON. You sell at exactly the same prices?

Mr. SPRING. Yes. That has been so often stated, and publicly, that I have ventured to print the exact prices in this brief for which we sell for export all our movements; and unless we are accused of misstating the facts, which are truly stated here, I think that contention is settled.

Senator JOHNSON. You make a profit on what you export, I suppose?

Mr. SPRING. Yes, sir.

Senator SMOOT. And that is only a limited amount, I suppose?

Mr. SPRING. Yes; we do not make a profit of anything like enough to keep our factory running.

Senator JOHNSON. What is the amount of your exportation?

Mr. SPRING. The percentage of it varies, of course, according to the amount of the domestic market. I omitted to name Canada when I was giving you the countries to which we export. When the domestic market is good, our exports are about 18 per cent of our total production. In times like this, when the watch industry is very thoroughly depressed, as it is now, we export as high as 21 per cent.

Senator McCUMBER. Why is it that you are able to export into England, where watches can be made cheaper?

Mr. SPRING. Watches are not manufactured in England. I think our principal competition in England is from watches made in other countries, principally Switzerland. They make, if any, very few in England. No complete watch is made in England, I believe.

Senator LODGE. The watches made in England are very high-priced watches?

Mr. SPRING. Yes; there are a few very high-grade movements made in England.

Senator McCUMBER. You do not have to pay any duty to export your watches into England?

Mr. SPRING. As I am informed, there is no duty on watches going into England.

Senator McCUMBER. Therefore there would be no duty from Germany or Switzerland or France into England?

Mr. SPRING. That I believe to be true.

Senator McCUMBER. You are able to compete, however, with France and Switzerland and Germany and Italy in the importation of watches into Great Britain?

Mr. SPRING. The principal competitor is Switzerland. But, not quibbling about the list of countries, we are able to sell a few watches there; not a great percentage. We have had the greatest difficulty in fighting our way into competition in that country.

Senator McCUMBER. What I wanted to know was whether you were able to compete with these other countries, say, in the British market, upon the same ordinary standard of watches, or whether you were able, because you manufactured a certain watch which they desired and which was not manufactured somewhere else, to compete.

Mr. SPRING. We sell watches of different grades in England; ordinary time-keeping watches, such as everybody carries. But, in the first place, our sales in England are not large at all. We have managed to get a reputation, to get our name known there, and to get our watches believed in. Of course, we believe in them very firmly ourselves, and we have managed to make a reputation for them in England. But England is still a great Swiss watch market; it is not an American market. The Continent of Europe is utterly closed to us.

Senator McCUMBER. Both in England and in Canada the Waltham watch has a reputation for superiority, has it not?

Mr. SPRING. I do not wish to be egotistical, and there are several other manufacturers of watches present, but I think I may say that it has.

Senator McCUMBER. If it is sold in competition with the cheaper watches from Switzerland, it must be because people want that particular watch. There must be some reason for it.

Mr. SPRING. I think there is. I think in some markets there is; in Canada, to some extent. Since you have picked the Canadian market, I will say that we sell in Canada a particular watch of a much lower grade than will stand competition in the American market. We would be glad to sell it here if it was wanted, but it is not; so that we do export to Canada, and do sell in Canada, a very much cheaper grade of watch than we have ever put on the American market.

Senator SIMMONS. Do you get the same price in the foreign market?

Mr. SPRING. Yes. It has often been stated that we cut our prices and sell cheaper abroad. It is not true.

Senator SIMMONS. Where is your chief market?

Mr. SPRING. We sell somewhat in England. We sell considerably in Japan. I think Japan is one of our best foreign markets; and, curiously enough, we also sell somewhat in Australasia, in Australia, and some in South America. That business is of uncertain value at the present time. I believe the company is trying hard to build it up.

Senator SIMMONS. You can and do sell from 18 to 21 per cent of your total product in foreign markets at the same prices you sell for in this country?

Mr. SPRING. Yes; that is true. I speak solely for the Waltham watch. I think there are a number of watch companies in this country that do not export a watch. I am informed there are several such companies, and I believe it to be true. It is fair to state that they import into this country anywhere from 900,000 to 1,000,000 Swiss watch movements a year and sell them in competition with our product.

Senator SMOOT. And you compete with England on the same basis, where you import without the payment of any duty?

Mr. SPRING. That is true to some extent.

Senator JOHNSON. And you sell the same grade of watches in England that they do of Swiss watches?

Mr. SPRING. We sell the seven-jewel movement, known as "The Traveler," in England. We have to make some differences. For instance, we sell a seven-jewel watch with gilded plates. I do not know of any advantage in gilded plates. They are somewhat cheaper, but not much.

Senator JOHNSON. If you can sell in England and Japan and Australasia and Canada in competition, can you not sell in competition in

this country, when you save the amount of the 30 per cent ad valorem duty?

Mr. SPRING. No, sir; I think not. Would you care to have me state my grounds for that? There are several grounds for it.

In the first place, I would like to call your attention to the actual conditions which we find ourselves confronted with at this time. This is not a theory, but a very hard fact. Our net tangible assets, upon which we pay taxes, amount to a little over \$9,000,000. I do not think we will be accused of stating those too high, because they can be found in the tax returns of the city of Waltham. We have in the past few years been able to earn, after making a moderate allowance for wear and tear and depreciation, only 3.3 per cent on our net tangible assets. That is not taking into account at all the value of our good will or such value as we think may be attached to the name of Waltham. That is counting nothing but tangible assets; and that is the condition, that we have been able to earn only a dividend of 3.3 per cent.

Senator JOHNSON. On your tangible assets?

Mr. SPRING. Yes; 3.3 on our tangible assets on which we pay taxes.

Senator JOHNSON. That is on what appraisal of your tangible assets; on your book values? Do you mean on the value as carried on your books?

Mr. SPRING. No, sir; and that is a question which calls for a somewhat detailed answer. The real estate and machinery of the factory are appraised by the assessors of the city of Waltham. They assess that property themselves on any basis that seems advisable to them. That work is done by a commissioner, known as the tax commissioner of the city, and he makes his own estimate of what our assets are worth—merchandise. He takes our books and goes over them and makes an independent appraisal. It is not that we simply turn this in to him. That, of course, in some instances—I trust not in the case of our factory—would lead to undervaluation if a man did that himself. They do not do that in Massachusetts. The point is that this valuation is not fixed by the company, but by independent appraisers.

The CHAIRMAN. It is fixed by the State and the city?

Mr. SPRING. Yes.

Senator McCUMBER. Does your assessment measure the actual cash value of your property?

Mr. SPRING. It does, roughly, as near as those things ever come. It is a fair assessment; it is not too high. Our assets are certainly worth that sum.

Senator McCUMBER. I assume, from what I know generally about assessments, that in most places they are made very much below the cash value of the property, but in some sections they may make them right up to the cash value, and if they paid that 3.3 per cent on the assessed valuation it might not be upon the real value or the real investment, anywhere near that amount.

Mr. SPRING. I preferred to put it so that we would not be open to any criticism of exaggerating the hardship of our position, taking that assessment to be the actual value. I could make out a better case for it if I tried to do that, perhaps. As I say, we have only been able to pay 3.3 per cent.

Senator JOHNSON. That is your net profit?

Mr. SPRING. That has been our net profit.

Senator JOHNSON. What do you deduct in order to get the net profit?

Mr. SPRING. The cost of operating the plant and a reasonable and moderate allowance for depreciation.

Senator JOHNSON. And salaries?

Mr. SPRING. Yes; the usual expenses, salaries of officers included.

Senator JOHNSON. All overhead charges?

Mr. SPRING. The whole cost of operation and all overhead expenses. I would like to state that I earnestly believe that on a most careful examination you will find that all those costs in our factory are kept as low as any human ingenuity could make them. There is not an extravagant salary paid in the place, and, so far as we know, there is not a loose point or a point of waste in the factory. I am a lawyer and not a manufacturer, but I believe that there is not a loose point or a place of waste in the whole factory.

Senator JOHNSON. To what years does this profit apply?

Mr. SPRING. To the last two years, ending April 1, 1911, and April 1, 1910—the fiscal years.

Senator JOHNSON. How about the years before that?

Mr. SPRING. We have had varying luck. Sometimes we have made more and sometimes less. I can give you the exact figure. I only took them for the last two years.

Senator JOHNSON. How long have you been connected with this company?

Mr. SPRING. We have done their law business for quite a number of years, sir, for eight years, I think, or perhaps longer. I have not the exact date in mind.

Senator JOHNSON. You are the attorney for the company?

Mr. SPRING. The firm of which I am a member have been their attorneys for a long time.

Senator JOHNSON. You are not engaged in the manufacturing?

Mr. SPRING. Not in the least. I am a member of a firm of lawyers.

Senator SMOOT. In Switzerland many of the watches are made in homes, are they not?

Mr. SPRING. They are. The Swiss manufacture, of course, is exceedingly cheap. They make watches in their own houses, and then they bring those watches together and assemble them; and they do that work in the long winters. The tradition of doing it has been handed down from father to son for many generations. They are as difficult a people to compete with as any manufacturing industry in this country has to compete with.

Senator SMOOT. You have a great many girls among your employees, have you not?

Mr. SPRING. About 60 per cent of our employees are women.

Senator SMOOT. I heard that the Waltham factory had, or has at the present time, many conveniences for their help; that they are looked after in a sanitary way perhaps as closely as any employees in the United States. What have you to say about that?

Mr. SPRING. I can tell you, if I will not be stealing too much of Mr. Eaton's thunder. I will answer that briefly, because I can speak with some feeling on that point. I know that to be true. I do not believe there is a manufacturing company in the world whose employees are and have been more consistently cared for.

In our factory the rule is not to get the most out of the employees, driving them to work at 7 in the morning and throwing them out at night when the whistle blows, and that is the end of it.

In the first place, take the wages. The average wage for the men, as given on page 6 of the brief, is \$3.48, and the average for the women is \$1.62.

Senator SMOOT. That is the daily wage?

Mr. SPRING. Yes; we do not get away with \$1.62 a week by a long shot.

We do not have any children in the factory. We have a few errand boys and girls, but we have no children working. In caring for the women and girls, we have a matron in general charge of all the women in the factory. It is her business to look out and see that throughout that factory the women are properly cared for and that their health in general is properly cared for. Under her are two trained nurses, who act as her seconds in looking out for the health of the women.

We also have a hotel and a boarding house, on which we lose about \$9,000 a year. It has been called for a long time the Adams House, after one of the former foremen of our factory. There we furnish board for the women only, at the rate of \$3 a week. In that place, also not only are they taught, when they go into the factory, how to run their machines, but there are classes in dressmaking, and they are taught to look out for themselves in general, under the supervision of this matron at the Adams House. When a girl comes to Waltham we know that she is coming, she has applied for a job in the factory, and she is not allowed to land in Waltham and look out for herself, but she is always met at the station, and if arrangements are not made to have her go to the Adams House, it is the duty of the matron to find for that girl a proper place to live. I may say that that price of \$3 a week for board is not popular with the hotel and boarding-house keepers, because it tends to make it easier for our employees to live, and it keeps the prices down elsewhere.

We have also a lunch room for our women, where they are furnished food absolutely at cost. In the lunch room is a recreation room, with pianos and armchairs and magazines, giving them a chance to rest during the noon hour.

We maintain three beds in the Waltham Hospital for any of the employees who are ill. We do a lot of other things of that general nature.

For instance, the company buys large quantities of coal and firewood for the winter, and gives the employees the advantage of the wholesale price, selling it to them absolutely at cost.

I wish anyone who thinks that working in a mill or a factory is necessarily an unpleasant occupation could see the factory at Waltham. The land all around the factory belongs to the company, and we make flower gardens there, so that the place really is pretty; and the employees are so arranged in regard to the windows that they look right out on them.

We go so far as to largely maintain a band, composed mostly of the employees, and that band gives free concerts to the employees.

I think anyone who has not been through a watch factory would be astonished, on going through our factory, to find how quiet it is. There is hardly as much noise in any part of that factory as there is

in this room now. The place is scrubbed, every inch of that factory, every day. There could hardly be a more hygienic place for a woman to work than the Waltham factory.

We have never had any labor troubles. We started in 1854, and we have yet to have our first dispute with our employees of any kind. They have never cared to form a union. If they have had any complaint to make, they have been at liberty to make it freely and directly to the president, and our employees are loyal to the company.

In the past two years the company has paid \$300,000 on its preferred stock, and we have paid annually in wages a little over \$2,300,000. Perhaps that comes as close as anything can to showing who has got the interest in the Waltham watch factory and who will suffer if we can not maintain these wages.

Senator LODGE. How many people do you employ?

Mr. SPRING. At the present moment, 3,420 people. These are bad times. In good times the number runs up to 4,400; of course, varying a little.

I can say for our employees that they are among the most respected citizens in Waltham. Four members of the present board of aldermen of the city of Waltham are workmen of the Waltham factory. Several mayors of Waltham have also been our employees. They are the best of the life in Waltham.

The city of Waltham depends tremendously on the Waltham watch factory. There are one or two other factories there; but if it were not for the Waltham watch factory Waltham would cease to be of its present importance.

Senator SIMMONS. What proportion of the watches made in the country does your output form?

Mr. SPRING. I have not the figures in mind.

Senator SIMMONS. Do you know the total output of this country?

Mr. SPRING. I do not know whether we have that. I can get it for you, exactly.

Senator SIMMONS. You make something like 50 per cent of the total output?

Mr. SPRING. I do not think the Waltham Co. makes as much as that now. It has gone off. I think we make 2,100 watches a day. It may be that Mr. Dearborn, who is in the business, who is a competing manufacturer, would be able to answer that question.

Senator SMOOT. Do you know what the product of your factory is; I mean the total, in dollars and cents, a year?

Mr. SPRING. It is something like 600,000 movements a year at the present time. But there, again, I do not know any too accurately what the average value of the movements is. I did not realize that that particular question would be asked me. I should think it would run well over \$2,000,000. I can get those figures very readily.

Senator SMOOT. The total consumption is over \$11,000,000.

Mr. SPRING. Then I was away off in what I have said. I do not think we make more than one-fifth of the total. I do not think we make more than upward of \$3,000,000 worth. But, you understand, I state those particular figures with some hesitation.

Senator JOHNSON. What is the capitalization of the Waltham Co.?

Mr. SPRING. The capitalization of the Waltham Watch Co. is \$12,000,000.

Senator JOHNSON. How is it divided?

Mr. SPRING. \$5,000,000 of preferred and \$7,000,000 of common stock.

Senator JOHNSON. What is the value of the common stock?

Mr. SPRING. Par, \$100.

Senator JOHNSON. What is the value of the preferred?

Mr. SPRING. The same.

Senator JOHNSON. What is the market value, I mean?

Mr. SPRING. I answered you as to the par value. The market value has varied very sharply. I think there have been recent sales at under \$20 for the common, \$18 or \$19 a share.

Senator JOHNSON. And what for the preferred?

Mr. SPRING. The last time I knew about it the preferred was selling at about \$120. That was within two or three months. If there have been any sales at different figures lately I can find that out.

Senator JOHNSON. How does the value of the preferred stock compare with your tangible assets?

Mr. SPRING. I should have to do some arithmetic on that. I can do it in my head. There are \$5,000,000 of preferred stock and \$9,000,000 of assets. It is only a little over one-half. That arithmetic does itself.

Senator SIMMONS. What is the amount of money actually invested by the company in this business?

Mr. SPRING. We believe, sir, that this sum I have given you, this figure of \$9,000,000, is not excessive in any way for our present assets.

Senator SIMMONS. I am not asking you about that. How much money is actually invested in this business?

Senator LODGE. It is a Massachusetts corporation, is it not?

Mr. SPRING. Yes.

Senator LODGE. Then it is all paid up stock?

Mr. SPRING. You can not issue stock for anything else.

Senator LODGE. It is all paid up.

Senator SIMMONS. Do you mean that there was \$11,000,000 or \$12,000,000 actually put in this business?

Mr. SPRING. Either in cash or securities or properties which the tax commissioners deemed the equivalent of cash. That is the absolute law of Massachusetts. No one can escape that, if he wants to.

Senator LODGE. It all has to be paid-up stock.

Mr. SPRING. There is one other consideration. Since I have run so nearly through my brief, I will mention this. I did not intend to take the time to go through this.

One reason why the Swiss are able to sell so many watches in this country is likely to be overlooked. Our watches—that is, a number of American watches, and particularly ours—are exceedingly well known; the Riverside and the Vanguard and perhaps two or three other makes. In any village in the country where there are two or three jewelry stores when a man goes to buy a watch he can tell absolutely what he is getting when he buys one of those watches; whereas in buying a Swiss watch it generally bears the name of the retail jeweler. There is a great deal more profit for the jeweler in selling Swiss watches, and that is the reason why in our country the Swiss are able to sell over 1,000,000 watches. The impression that I want to make on your mind is that the Swiss no doubt do compete tremendously with us right here in this country now. There are imports, and sales are running over 1,000,000 a year in good times

and never run below 600,000 or 700,000 a year. We are running on just as low a basis of profit as we can and maintain these wages. If this tariff is lowered and the conditions are made any more adverse than they are, we have the choice of either materially lowering the wages and preventing our employees from living as they have lived and do live or going out of business, and we earnestly believe there is no third alternative. If the tariff is lowered, it will cut down our domestic production and flood this country with Swiss watches, and the result is as certain to follow as that 2 and 2 make 4. We do not want ad valorem duties; we want specific duties.

Senator SIMMONS. The Swiss compete with you to some extent in this market, and you compete with the Swiss to some extent in the neutral markets?

Mr. SPRING. They compete very heavily in this market. I think that would be a fair way to state it.

Senator SIMMONS. I understood you to say that they sold about a million watches a year here?

Mr. SPRING. Yes; anywhere from 600,000 to 1,000,000 watches a year.

Senator SIMMONS. You make yourselves five or six million watches a year, do you not?

Mr. SPRING. No, sir; the dollars and the watches I think you have confused. I roughly estimated it at 600,000.

Senator SIMMONS. That is the average you gave?

Mr. SPRING. Yes; approximately. That is not an accurate figure. The figure that I had here was the number of watches a day, and I simply multiplied that by the number of days in the year, and got it in that way, roughly. There is no mistake about the fact that we individually, or we as American watch manufacturers, and all together are not free from the most bitter competition with Swiss manufacturers in our market in this country. There is no man who ever heard of any complaint by a consumer of the price he has to pay for his watch. It is the last thing in the world that a man can claim that he is charged too much for. You can get an excellent timepiece, made in our factory, for \$5, and the highest-priced watch we make is \$250. From \$5 up to \$250, all the way in between are different grades of watches. I have yet to hear or learn of the first complaint made that American watches cost the consumer too much. The high cost of living has not got that to complain of. We are having a hard time as it is, and we earnestly urge that you do not lower this duty.

Senator SMOOT. What kind of watches do the Swiss send here—cheap watches?

Mr. SPRING. The Swiss send a lot of poor stuff here. On the other hand, there are Swiss manufacturers of high reputation who make excellent watches and import them into this country.

Senator SMOOT. Do you make any watches in competition with the cheap watches that the Swiss send here?

Mr. SPRING. No, sir; we would not have any such watches. We would never make them.

Senator SMOOT. Are there any of that poor quality of watches manufactured in this country?

Mr. SPRING. I find that question slightly embarrassing. I would rather answer it by saying that there are none of them made in the Waltham watch factory; none of them at all.

**STATEMENT OF MR. HENRY EATON, REPRESENTING THE
WALTHAM WATCH CO.**

Mr. EATON. Mr. Chairman and gentlemen, I am sent here by my company to speak from the standpoint of the laboring man. I am a product of the beneficence of the Waltham Watch Co. I was born in Waltham, and have always lived there, with the exception of a couple of years when I got through college. My father entered the employ of the company away back about 1870 as a machinist, and he worked up to the position of foreman in the machine department.

Under the wages I was able to get there, together with some assistance which I received from the Waltham Watch Co., I received my education in the public schools of Pennsylvania and also in the Massachusetts Institute of Technology, graduating in the year 1899. Feeling that outside experience would be for my benefit, I went away for two years and worked with the Willige Pump Co. After two years I was called back to the Waltham Watch Co., and accepted the position of foreman of the pump department, and for 11 years have filled that position. I feel that in that position, having to do so largely with the manufacturing and engineering work in the factory, I can speak very well from the laboring man's standpoint. I go there at 7 o'clock in the morning—that is my time when I am expected to be there—and I stay there until 6 o'clock at night, with the exception of an hour out for lunch.

This system has been wrought out under a protective tariff. Mr. Spring has told you of the condition of affairs there in a very excellent way. I can not improve upon his method. I am surprised that he has such a fund of information. I wish to ask you, in all fairness, what will become of the system and the conditions which exist there if this tariff is reduced as it is proposed?

I look upon it with extreme depth of feeling, because of the loyalty of the people to the company and the splendid esprit de corps which exists there, and the high class of living which exists. The people are striving to lift themselves up. The people, these girls in particular, come from the country districts, from Maine, New Hampshire, and Vermont, and their mode of living is somewhat more primitive than exists around Boston. They immediately begin to improve their conditions. If their wages are reduced, as they must of necessity be, I fail to see how they can improve their lot, and have conditions better than those which surrounded them before they came there.

Our management is exceedingly liberal, as Mr. Spring has told you, and any complaint which an employee has to make is very readily given a hearing; and our management is extremely accessible.

Now let me take up the manufacturing end of it. We have had a rather celebrated expert at our factory along the line of this new efficiency system, a mechanical man, pure and simple. He has gone through the manufacturing end of the business, and he stated, after he got through, that mechanically he could not see any way in which we could improve on the manufacture of watches. We have it reduced, by the use of automatic mechanical machinery, to a condition which would appear to you marvelous. There will always be a certain amount of hand work to be done, but so far as we can see at the present time, we have gone about the limit in automatic machinery, and the automatic machinery there is the most wonderful

machinery in the world. You have heard from the roller bearing company man of the accuracy with which they do work, and expect to turn out work. I may say, in all fairness, that their accuracy does not approach ours. You take what we call a staff, and which is one of the parts of the watch, and we turn down little pivots on the end to about five or six thousandths of a centimeter, which is a little more than the size of an ordinary hair. That whole piece, the staff and the pinion, is made in a machine in which the wire feeds in at one end and the staff comes out—the complete staff and pinion—at the other end. One man can tend from 8 to 10 of those machines. We can not see how that can be improved upon.

Take the manufacture of wire mainsprings and hairsprings. We run that wire in large quantities, and that process is almost continuous.

So much for the mechanical end of it. We are not overofficered. Our management is efficient, and it is sufficient for the purpose, and we have no high-salaried officials.

Mr. Spring has told you so much about the laboring conditions there that I do not need to go into that, and this brief goes into it pretty well.

Senator SMOOT. His description of conditions there was correct?

Mr. EATON. Absolutely; yes, sir. I feel that he has got a fund of information which is absolutely correct.

The CHAIRMAN. The committee will now hear Mr. Albert M. Dueber, president of the Hampden Watch Co., of Canton, Ohio.

STATEMENT OF MR. ALBERT M. DUEBER, PRESIDENT OF THE HAMPDEN WATCH CO., CANTON, OHIO.

Mr. DUEBER. I am president of the Hampden Watch Co. and interested in the proposed tariff law. I desire to protest against its enactment in behalf of American watch manufacturers. The figures that I have compiled here are a comparison with the Dingley law. In the Dingley law the 7-jewel watches were brought in under a mixed duty, specific and ad valorem, as follows: seven jewels, \$0.35 and 25 per cent ad valorem; 11 jewels, \$0.50 and 25 per cent ad valorem; 15 jewels, \$0.75 and 25 per cent ad valorem; 17 jewels, \$1.25 and 25 per cent ad valorem; over 17 jewels, \$3 and 25 per cent ad valorem.

Reduced to an ad valorem basis, these duties would be as follows: seven jewels, 61 per cent; 11 jewels, 47 per cent; 15 jewels, 46 per cent; 17 jewels, 42 per cent; over 17 jewels, 34 per cent.

Reduced to straight specific rates, these duties are as follows: seven jewels, \$0.59; 11 jewels, \$1.01; 15 jewels, \$1.67; 17 jewels, \$3.19; over 17 jewels, \$10.73.

Under the life of the Dingley bill, with the specific duties, the business in watches increased from 1898 to 1907 as follows: seven jewels, 482 per cent; 11 jewels, decreased 19 per cent; 15 jewels, 878 per cent; 17 jewels, 916 per cent; over 17 jewels, 366 per cent.

The decrease of 19 per cent in the sale of 11-jewel watches can be accounted for by the fact that the 11-jewel watch is obsolete, and there is but one factory in this country to-day producing an 11-jewel watch. It is an in-between watch that nobody makes outside of one company. That company makes an 11-jewel watch because it does

not want to have the fact stated that it makes 7-jewel watches. They make that watch in order to avoid having it said that they make a 7-jewel watch.

The Dingley bill, as we understood it, was always considered a protective measure, but we find out that we had no protection under the Dingley law at all. It was purely a revenue measure, as the total increase in importations was 429 per cent for all watches during the life of the Dingley bill.

The difference in the proposed bill would make a reduction on the 7-jewel watch of 30 per cent under the Dingley bill.

Senator JOHNSON. Have you a comparison with the Payne-Aldrich bill?

Mr. DUEBER. The Payne-Aldrich bill puts the duty at 70 cents on 7-jewel watches. They evaded the mixed duty on the lower grade of watches, and they made the duties as follows: 7-jewel, \$0.70; 11-jewel, \$1.35; 15-jewel, \$1.85; and for the balance the duties remained the same. For 17 jewels and over they adhered to the mixed duty, the same as the Dingley bill.

The new law would bring in the 7-jewel watch under the same valuation. We would have a reduction of 30 cents, from 59 cents to 29 cents, on the 7-jewel watch, the 11-jewel watch would be reduced 20 cents, the 15-jewel watch would be reduced 55 cents, the 17-jewel watch 81 cents, and over 17 jewels would be reduced \$1.26. That is under the rates of the Dingley law, under which importations increased 429 per cent.

Senator LODGE. The importations?

Mr. DUEBER. The importations increased under the Dingley law 429 per cent, and this is very nearly 50 per cent below the Dingley law.

Senator SMOOT. The law of 1909, the Payne-Aldrich Act, increased those prices 25 per cent, I suppose, did it not?

Mr. DUEBER. No; the higher grade watches did not change at all.

Senator SMOOT. I do not mean those above 15 jewels; I mean commencing with the 7-jewel watch?

Mr. DUEBER. The 7-jewel watch was increased about 25 per cent, from 56 to 70 cents. I think that was raised a little, because there were a lot of people who were importing dials, and it covered the cost of dials in this country. That is my impression. I am not sure about that.

Senator LODGE. Were the rates of the Payne-Aldrich bill followed by any increase in the price of watches?

Mr. DUEBER. Not to any extent. Perhaps 25 cents here and there; but that was on a watch that would cost \$6 or \$7, and 25 cents there was no item at all. But the new law, as proposed, would be pretty near the end of the American watch industry.

Senator JOHNSON. What classifications of watches are largely imported into this country?

Mr. DUEBER. Seven, eleven, fifteen, and seventeen jewels. There are more 7-jewel watches imported than any others.

Senator JOHNSON. There are more of the cheaper watches imported?

Mr. DUEBER. The 7-jewel watches; yes, sir.

Senator JOHNSON. What percentage of the importation consists of 7-jewel watches?

Mr. DUEBER. I think 70 or 75 per cent.

Senator JOHNSON. Are any watches of those cheaper grades made in this country—the 7-jewel watches?

Mr. DUEBER. Not made quite as cheap as they can make them over there.

Senator JOHNSON. I say, are any of them made in this country?

Mr. DUEBER. There are some cheap ones. There is the clock watch, like the Ingersoll watch. Watchmakers do not consider that a watch; that is a clock. The New York Standard Watch Co. makes a cheap watch that sells, I think, around \$1.85, or something like that.

Senator SMOOT. Does your firm make any 7-jewel watches?

Mr. DUEBER. Yes. The importers of this country have devised a new method by which they evade the present duty on the lower grade of watches. Watches are sent to the United States knocked down. They are assembled in Switzerland and then torn apart and sent in here in that way, and then they pay the duty not as a watch, and the watches are reassembled in New York. The American business in watches has been very dull in the last three or four years. Therefore, our importation of materials for what we use in watches has decreased. But the importation of watch material has increased from \$561,000 to \$809,000 in 1911, showing that that is the method in which the lower grades of watches have been brought in, and that will show why there has been a decrease in the last year in watches brought into this country, because they are brought in knocked down and reassembled over here. They can reassemble them for an average of about 20 cents apiece.

Most importers in this country own their own watch factories over in Switzerland. Under the rates that are proposed under the new law we can not live.

Senator SMOOT. Have you any other statement you want to file?

Mr. DUEBER. No, sir.

The CHAIRMAN. Is there anything further?

Mr. DUEBER. No, sir.

The CHAIRMAN. That concludes the hearings for this morning. Owing to the large number of persons who will be here to-morrow morning, it might be well for the committee to meet at 10 o'clock.

Senator JOHNSON has something he wants to offer for the record.

Senator JOHNSON. I have here a letter from Mr. James Bowron, president of the Southern Iron & Steel Co., in regard to the duty on steel wire. I desire to have this inserted in the hearing.

The CHAIRMAN. The letter will be received and printed.

The committee will stand adjourned until 10 o'clock to-morrow morning.

At 1 o'clock p. m. the committee adjourned until to-morrow, Wednesday, February 28, 1912, at 10 o'clock a. m.

The letter submitted by Senator JOHNSON is here printed in full in the record, as follows:

BIRMINGHAM, July 29, 1911.

I beg to state that under the existing tariff law—known popularly as the Payne-Aldrich law—the duty on steel wire ranges from \$20 to \$30 per ton of 2,000 pounds, when plain and uncoated. When galvanized, it is \$4 per ton higher.

The bill now pending in the United States Senate—known as the farmers' free-list bill—provided for placing wire upon the free list. Mr. Underwood, Member from

this congressional district and the introducer of the bill, stated, as I remember it, in telegraphic communication to the Age-Herald, that this would only apply to wire suitable for the construction of wire fencing, an article which is extensively used by farmers.

This is practically no restriction at all, for down to No. 5 gauge we do not call the material wire at all, but wire rods, and the largest sized wire we produce (No. 7 gauge) is used for woven wire fencing, among others by the Louisville & Nashville Railroad Co., who do not use any wire fence except that manufactured from Nos. 7 and 9 gauge. On the other hand, fencing is commonly used including wire down to as low as 12½ gauge. This is known as field fence, and for fencing in poultry yards wire is employed down to as low as No. 18 gauge. I have before me at this moment Jones & Laughlin's trade catalogue, showing prices on fencing wire down to that low gauge. The language of the free-list bill, although I have not got it before me, provides that all wire suitable for manufacture into fencing would be embraced in the free-list provision. The above-mentioned facts, which can be easily verified, show that this provision would admit all gauges of wire.

I submit that any fair-minded man must agree that it is unfair treatment to the South to pick out an infant industry, where there are only two small struggling concerns producing wire—one in Atlanta, Ga., and the other in Gadsden, Ala.—and put this product on the free list.

Wire is drawn from wire rods. We roll them from billets; we produce the billets by open-hearth furnaces from pig iron. If wire is to be placed on the free list, why should not the pig iron, the steel ingots, and the open-hearth billets in turn be placed upon the free list also? Why should we, in common fairness, be expected to pay a duty on our materials and have none upon our finished products?

If our wire is on the free list, why should we still have to pay duty on the chrome, ferromanganese, and ferrosilicon which enter into our products?

In the preparation of galvanized wire we require lead and spelter, the latter being the product of zinc ore. We must pay duty on both the one and the other.

In the preparation of our wire rods we use both sulphuric and nitric acid, both of which are subject to duty.

In the manufacture of our open-hearth steel we need fluorspar, which is dutiable.

The stock argument advanced against protection as applying to iron and steel manufactures in this district is that we can produce cheaply because of the immediate contiguity of the materials required to be assembled. This argument is correct as far as it goes, but is does not go far enough, for the South as a whole is sparsely populated and is an agricultural rather than a manufacturing community, and it becomes necessary to consider not only the cost at the point of production but the cost when laid down at the point of consumption. In this respect Alabama and Georgia—producers of all barbed wire and woven fence (as it can all be converted into fencing) would be at a marked disadvantage in competing along the South Atlantic and Gulf coast as against foreign material.

For the sake of comparison I take the quotation on wire nails, which for the farmers' use—whether made in Germany or in Galveston from imported German wire—might come in without duty. Iron Age, July 27, page 189, gives the price of wire nails 135 marks, which is practically \$34, as the base price. This is exactly the same price as is now prevailing in Pittsburgh, the base price quoted in the same number of Iron Age, page 182, being \$1.70 per hundredweight, f. o. b. Pittsburgh. Therefore for the sake of argument the German price and the Pittsburgh price are the same. The German manufacturers, however, have syndicates, as is well known, and pools, which are not in any way opposed by the German law, and among these pools is one known as the exporting syndicate, which, according to my information, pays a bonus of \$3 per ton or thereabouts to those steel producers who export out of Germany any part of their product and dump on other countries.

As you know, owing to the difference in bulk of the exports and imports of this country, at least three-fourths of the vessels which are required to carry our exports to Europe come to this country in ballast. This is peculiarly true as to the largest and most important market for the wire trade, namely, Texas.

It would be easy for the German manufacturer, after the passage of the free-list bill in its present shape, to ship wire, say, from Hamburg or Bremen to Galveston in a steamer otherwise going there to load cotton and going out light in water ballast at a freight of not exceeding \$3 per ton, as anything would be "found money" to the steamer over and above the cost of stevedoring.

The bonus given by the German export syndicate would pay this freight and the German product might be laid down at Galveston for approximately \$34 per ton—the present Pittsburgh price—whilst the lowest price at which we can get from the Birming-

ham district to Texas common points is about 47 cents per hundredweight or \$9.40 per ton.

This is perhaps an extreme case but it is fair to use it as an illustration; and whilst our freight rates are not so high to points like Charleston, Savannah, Mobile, and New Orleans, yet the same argument would apply; and it will be possible for the foreign producers to carry stocks of goods at each of our South Atlantic and Gulf seaports from which, within a certain range of territory, our products would be entirely shut out.

The same remarks apply to cotton ties, which are being manufactured in Atlanta, and are also being manufactured 12 miles from Birmingham, at Helena, out of our steel.

I do not refer to the general question of protection versus free trade. The arguments pro and con are well known to everyone. I do contend, however, that a spirit of common fairness and justice would require that if our wire products and cotton ties are to be placed on the free list, everything else which enters into their production should go there at the same time.

Yours, very truly,

JAMES BOWRON,
President Southern Iron & Steel Co.

The brief submitted by Mr. Spring is as follows:

BRIEF SUBMITTED ON BEHALF OF THE WALTHAM WATCH CO. TO THE SENATE FINANCE COMMITTEE IN RELATION TO THE PROVISIONS OF SECTION 60 OF A BILL ENTITLED "TO AMEND AN ACT ENTITLED 'AN ACT TO PROVIDE REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE INDUSTRIES OF THE UNITED STATES, AND FOR OTHER PURPOSES,' APPROVED AUGUST 5, 1909," SAID BILL BEING H. R. 18642.

INTRODUCTION.

This brief relates solely to the proposed change in the existing tariff on watch movements and parts of watches.

The act now in force, being section 192 of the act of 1909, reads as follows:

"Watch movements, including time detectors, whether imported in cases or not, if having not more than seven jewels, seventy cents each; if having more than seven jewels and not more than eleven jewels, one dollar and thirty-five cents each; if having more than eleven jewels and not more than fifteen jewels, one dollar and eighty-five cents each; if having more than fifteen and not more than seventeen jewels, one dollar and twenty-five cents each and twenty-five per centum ad valorem; if having more than seventeen jewels, three dollars each and twenty-five per centum ad valorem; watch cases and parts of watches, chronometers, box or ship, and parts thereof, forty per centum ad valorem; lever-clock movements having jewels in the escapement, and clocks containing such movements, one dollar each and forty per centum ad valorem; all other clocks and parts thereof, not otherwise provided for in this section, whether separately packed or otherwise, not composed wholly or in chief value of china, porcelain, parian, bisque, or earthenware, forty per centum ad valorem; all jewels for use in the manufacture of watches or clocks, ten per centum ad valorem; enameled dials for watches or other instruments, three cents per dial and forty per centum ad valorem: *Provided*, That all watch and clock dials, whether attached to movements or not, shall have indelibly painted or printed thereon the country of origin, and that all watch movements, lever-clock movements with jewels in the escapement, and cases of foreign manufacture shall have the name of the manufacturer and country of manufacture cut, engraved, or die sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movements shall also have marked thereon by one of the methods indicated the numbers of jewels and adjustments, said number to be expressed both in words and in Arabic numerals; and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction."

The proposed act, being section 60 of the bill above referred to as it passed the House, reads as follows:

"Watch movements, including time-detectors, whether imported in cases or not, watch cases and parts of watches, chronometers, box or ship, and parts thereof, lever clock movements having jewels in the escapement, and clocks containing such movements, all other clocks and parts thereof, not otherwise provided for in this act or in the first section of the act cited for amendment, whether separately packed or otherwise, not composed wholly or in chief value of china, porcelain, parian, bisque, or earthenware, thirty per centum ad valorem; all jewels for use in the manufacture of watches or clocks, ten per centum ad valorem; enameled dials for watches or other instruments,

thirty-five per centum ad valorem: *Provided*, That all watch and clock dials, whether attached to movements or not, shall have indelibly painted or printed thereon the country of origin, and that all watch movements, lever clock movements with jewels in the escapement, whether imported assembled or knocked down for reassembling, and cases of foreign manufacture, shall have the name of the manufacturer and country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movements shall also have marked thereon by one of the methods indicated the number of jewels and adjustments, said number to be expressed either in words or in Arabic numerals; and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction."

The Waltham Watch Co. earnestly protests against this reduction in the tariff. The reduction proposed is most serious. Under the existing law the average equivalent ad valorem has proved to be between 51 per cent and 53 per cent. This it is proposed to change to 30 per cent and also to abolish the specific duties. This company maintains that it can not continue to manufacture watch movements paying the present rates of wages if any material reduction is made in the existing tariff. The company urges that no substitution of ad valorem for specific duties be permitted, as the former lend themselves most readily to fraudulent undervaluations.

In support of its position the company submits the following:

- (1) Brief history of the Waltham Watch Co.
- (2) Labor conditions in the factory of the Waltham Watch Co.
- (3) Profits.
- (4) Foreign business.
- (5) The proposed tariff.
- (6) Summary.

(1) *Brief history of the Waltham Watch Co.*—The company was first incorporated under the name of "The Boston Watch Co." in the year 1854, and at that time made about five watches a day and employed 90 hands. In the fall of that year they equipped a factory in the city of Waltham, in the Commonwealth of Massachusetts. The company did not make money, and in the year 1857 went into the hands of a receiver and was bid in by Mr. Royal E. Robbins, a creditor of the company, for the sum of \$56,500.

In the spring of 1858 the Boston Watch Co. was consolidated with another corporation which Mr. Robbins had formed under the name of the Waltham Improvement Co., under which name it continued to do business until February 8, 1859, when its name was changed by act of the legislature to the American Watch Co., and its capital stock increased to \$300,000, and on the 19th day of May, 1860, a dividend of 5 per cent was declared. This was the first dividend declared by any watch company in America.

The company experienced various changes of fortune, but continued to manufacture watch movements, and in the year 1865 its capital stock was increased to \$750,000. The steady increase of business in the next succeeding years required a further increase, and in August, 1870, the capital stock was increased to the sum of \$1,250,000, and three years later a further increase of \$250,000 was made. In 1885 the name of the company was again changed, the new name being the American Waltham Watch Co., and the legislature also authorized an increase in the capital stock to \$4,000,000. Of the stock thus authorized there was issued in March of that year (1885) \$2,000,000, which was further increased in March, 1889, to \$3,000,000, and in 1899 it was finally increased to the limit of \$4,000,000 authorized by the legislature. The money raised by this increase of the capital stock was devoted to the enlargement of the factory and its equipment with new and improved machinery. The production of the factory at this time was greatly increased. During the 30 years ending in 1884 the total production of the factory amounted to 2,515,119 watch movements; in the next 10 years the factory produced 5,897,035 movements; and in the decade following, viz, from 1894 to 1904, about 12,000,000 watch movements were made in the factory.

In 1906 a new corporation was formed under the name of the Waltham Watch Co., with a capital stock of \$12,000,000, which acquired all the property and business and rights of all kinds of the American Waltham Watch Co. The stockholders of the American Waltham Watch Co. exchanged their shares of stock for stock in the new company. Neither the stock of the American Waltham Watch Co. nor of the Waltham Watch Co. has ever been listed on any stock exchange, and the exchange of shares above referred to was carried out without the intervention of any bankers, except in a minor capacity as transfer agents. Nor has a single dollar ever been paid for promotion expenses.

The Waltham Watch Co. is now, and for a long time has been, the largest and oldest manufacturer of watch movements in the world. At one time the company made

cases, but discontinued that part of its work many years ago. The company now employs 3,422 men and women. In prosperous times the number of employees is 4,400. The daily output of movements is now only about 2,100. In prosperous times and before the present depression in the watch industry set in, the daily output of movements was 3,300. The company feels that it can justly claim that its product has an excellent reputation throughout the world and that it has contributed to a very considerable degree to advance the reputation of American mechanical skill and ingenuity.

(2) *Labor conditions in the factory of the Waltham Watch Co.*—The average daily wages in the adjusting, machine, mainspring, train making, dial making, and jewel making, and setting departments are shown by the following table:

Departments.	Total employed.	Males.	Daily average wage.	Females.	Daily average wage.
Adjusting.....	234	138	\$4.06	96	\$1.68
Machine.....	156	153	3.36	3	1.65
Mainspring.....	89	37	3.02	52	1.59
Train making.....	284	87	3.17	197	1.61
Dial making.....	132	71	3.31	61	1.59
Jewel making and setting.....	158	60	3.37	98	1.64
Average.....			3.48		1.63

The total average of all departments of the factory for the month of December, 1911, was as follows: Total pay roll, \$176,292.37; number of employees, 3,422; average for the month, 51.51 for 210 hours, or 24½ cents an hour.

From the foregoing it will appear that the grand average of our total factory wage is practically the same as the average of the six groups above selected. These wages are more than three times as great as those paid in Switzerland. The Swiss watches are the chief foreign-made competitors of American watches.

The following table is a substantially accurate comparison of the wages paid in certain foreign countries, including Switzerland as compared with those paid in the Waltham Watch Co.'s factory:

	Weekly.				Daily.					
	England.		Switzerland.		North Italy.		South Italy.		Waltham.	
	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.	Men.	Women.
Minimum per week.....	28/ \$7.00	16/ \$4.00	5 fcs. \$1.00			15c.	(1)	(1)		
Maximum per week.....	35/ \$8.75	18/ to 25/ \$4.50-\$6.25	6 fcs. \$1.20	4 fcs. 80c.		30c.	(2)	(2)	\$3.48	\$1.63
Reduced to a uniform basis of daily wage in United States money:										
Average per day.....	\$1.31	85c.	\$1.10	80c.	33c.	22½c.			\$3.48	\$1.63

¹ Lower wages.

² Longer hours.

The figures above for Switzerland can readily be verified from any consular report on the watch industry. There can be no doubt of the fact. The conditions of labor in the Waltham factories as compared with those in Switzerland can not, however, be fairly judged from even the enormous difference in the wages paid. The Waltham Watch Co. believes the situation of its employees to be unusually fortunate. Practically all of the employees are native-born Americans and about 60 per cent are women. Among the women a great many come from the farms of Maine, Vermont, and New Hampshire. Both men and women remain long in the service of the company. Periods of employment running from 20 to 35 and 40 years are very common. There never has been a strike or any labor trouble in the factory of the Waltham Watch Co. or any of its predecessors since its organization in the year 1854, nor have the employees ever deemed it necessary to form a union of any kind for the protection of their interests.

They have considered their interests adequately protected by the management of the factory. Any employee has been at liberty to address complaints in person to the president of the company.

The company has steadily taken an interest in the physical and moral welfare of its employees, particularly of the women in its service. A matron has for a long time been employed, whose duty it is to have a general supervision of the women and girls working in the factory. When a girl comes to Waltham to enter the employ of the Waltham Watch Co., she is met at the station by the matron, who sees to it that she finds a suitable place to live in. The company maintains for this class of employees a large boarding house, known as the Adams House, which is run at an annual loss of about \$9,000. This house has accommodations for 300 girls, who are charged \$3 a week for room and board. This action also tends strongly to keep down the price of rooms and board in hotels and private boarding houses in Waltham.

The company also provides lunch rooms for both men and women in the factory, where good food is provided absolutely at cost. There is also a recreation room with comfortable chairs, magazines, and a piano, where the women and girls can rest during the noon hour. Very few minors are employed, and those only as errand boys and girls on work of the lightest description. Not only does the factory employ a matron to have a general supervision, but also two trained nurses, whose duty it is to have a care for the health of the employees. It also maintains a number of free beds in the Waltham Hospital for the benefit of its employees in the case of sickness, and also contributes, as do the employees, to an organization known as the Watch Factory Mutual Relief Association, which, as its name implies, pays benefits to employees who may be disabled by sickness.

In addition to the foregoing the company buys large quantities of coal and fire wood and resells the same to its employees during the winter at cost. It maintains about the factory parks and flower gardens for the benefit of its employees. The factory is itself well built, well lighted, well ventilated, and extraordinarily clean and quiet. The entire factory is scrubbed every day. The machinery is equipped with every labor-saving device and every safety device which ingenuity can invent. As a result, there are almost no accidents, there having been but two of any consequence in the last 30 years. The company has never carried any liability insurance, having never been willing to let anyone intervene between itself and its employees.

The foregoing does not by any means exhaust the subject. For example, the company contributes liberally toward the support of a band, composed of its employees, which gives free concerts in the summer, largely attended by its employees as well as by the townspeople. Under the direction of the matron there are dressmaking and other similar classes for girls. In the summer the entire factory is closed for a period of two or sometimes three weeks to enable the employees to take a vacation. The working hours for women and minors in the factory were 55 hours a week until the 1st of last January, when by act of the legislature the working time for this class of employees was limited to 54 hours. No deduction was made by the company in the wages of its employees by reason of this shortening of the hours of labor.

The employees are among the most respected citizens of Waltham. Two of them have been mayors of Waltham; they have served on the board of trustees of the public library; many of them have been members of the city government; at the present time seven members of the board of aldermen of the city of Waltham work in this factory, some have left the employ of the company to become doctors, lawyers, editors, ministers, members of the legislature, and so forth.

The Waltham Watch Co. thinks that it is justified in believing that few if any factories in this country have shared more generously with their employees such prosperity as they have had or that there could be found anywhere a factory in which the conditions of labor are more sharply in contrast with those existing in foreign countries where competing products are manufactured.

(3) *Profits*.—The margin of profits is exceedingly small. The capital stock is \$12,000,000, of which \$5,000,000 is preferred and \$7,000,000 common. For the past two years the company has earned no dividends whatever upon the common stock, and has only paid 6 per cent, or \$300,000, on its preferred stock, which, if not paid, would have been cumulative. The company pays over \$2,000,000 annually in wages. The tangible assets of the company, as shown by the assessments and returns for purposes of taxation, including real estate, machinery, merchandise at factory cost, bills and accounts receivable at their face value, amounted on April 1, 1911, to \$9,022,405.13. The dividends were therefore 3.3 per cent on the tangible assets of the company. The stock of the company is widely distributed, most of the holdings being small. There are now about 1,100 shareholders.

At the present time there is a serious depression in the watch business of the United States. For the year ending April 1, 1911, the average number of movements manu-

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factured per day by the company was 2,190 as against 2,790 for the year previous, and 3,300 per day before the depression in the business necessitated curtailment.

(4) *Foreign business.*—The Waltham Watch Co. sell a portion of its product in foreign countries. The prices charged the consumer in foreign countries are in no cases lower and in many cases higher than those charged in this country. The prices at which the watches are sold to jobbers for sale in foreign countries are also substantially identical with those charged to jobbers for sale in the United States, as shown by the following table:

Name of movement.	Domes- tic price.	Export price.
18 size:		
Vanguard 23 J.....	\$22.80	\$22.80
Vanguard 21 J.....	21.45	21.45
Vanguard 19 J.....	19.80	19.70
Crescent St. 21 J.....	17.65	17.65
Crescent St. 19 J.....	17.10	17.10
No. 845.....	15.20	15.19
Appleton, Tracy & Co.....	11.40	11.40
P. S. Bartlett G. & N. Dak.....	8.00	7.98
P. S. Bartlett Nkl.....	6.45	6.45
No. 87.....	6.45	6.45
No. 85.....	5.70	(¹)
No. 825.....	5.05	5.04
No. 820.....	4.25	4.27
No. 81.....	3.90	(¹)
No. 18.....	3.05	3.05
No. 1.....	2.75	2.75
16 size:		
A. W. Co. bridge model.....	41.80	(¹)
Riverside Maximus.....	41.80	41.79
Vanguard 23 J.....	22.80	22.80
Vanguard 19 J.....	19.80	19.78
Crescent St.....	17.65	17.65
No. 645.....	15.60	15.58
Riverside.....	15.60	15.58
Royal.....	11.00	11.02
P. S. Bartlett.....	9.50	9.49
No. 630.....	8.00	7.98
No. 625.....	7.40	7.36
No. 620.....	5.80	5.81
No. 610.....	3.55	3.55
Traveler (same as No. 610 with gold gilded plates).....		3.55
12 size:		
A. W. Co. bridge model.....	41.80	(¹)
Riverside Maximus.....	41.80	41.79
Riverside.....	15.60	15.58
Royal.....	11.00	11.02
No. 230.....	8.00	(¹)
No. 225.....	7.40	7.36
No. 220.....	5.80	5.81
No. 210.....	4.05	4.09
6 size:		
Lady Waltham.....	6.45	6.45
"V".....	4.65	4.65
"Y".....	3.25	3.25
"J".....	3.00	3.00
0 size:		
Riverside Maximus.....	18.25	18.23
Riverside.....	14.05	14.04
Lady Waltham.....	9.90	9.88
No. 165-115.....	7.00	6.96
No. 161-110.....	4.65	4.65
No. 160-100 (same as above, but gilded).....		4.27
Jewel series:		
Diamond.....	17.50	17.47
Riverside.....	14.50	14.43
Ruby.....	11.40	11.40
Sapphire.....	10.30	10.26
Nonmagnetic:		
Vanguard 23 J, 18 size.....	30.40	(¹)
No. 820.....	6.25	(²)
16 size:		
Riverside Maximus.....	49.40	(¹)
Riverside.....	22.80	(²)

¹ None exported.

The single exception to the above prices is that there is a special discount allowed to a particular exporter as a contribution on the part of the Waltham Watch Co. to the expense of advertising in an effort to enter a market at present controlled exclusively by the Swiss, the total number of movements sold to this exporter being somewhat less than 2 per cent of the total product of the Waltham Watch Co. The discount given to this exporter represents no more than the fair contribution of the Waltham Watch Co. to the necessarily heavy commercial and advertising expense of attempting to enter a new and hostile market. The ultimate consumer pays full prices for the watch movements sold through this exporter. This business has, so far, proved unprofitable to the Waltham Watch Co.

When the domestic business is normal, the percentage of the product of the company which is exported is about 18 per cent. During the last fiscal year, owing to the decrease in business in the domestic market, the percentage of exports has risen to about 21 per cent. All watches sold in all countries, including Canada, outside the United States are comprised in the foregoing statement. The company has a branch office in London and sells some movements in England. The company sells few watches on the Continent of Europe. It has a considerable market in Japan, in Australasia, and is attempting to make a market in South America. This foreign market has been obtained and is held strictly on the merits of the watches, and has been sought and is maintained by the company for the purpose of broadening its market and rendering it less vulnerable to the periodic depressions to which its domestic market is subject, and from which it now suffers. It is hardly necessary to point out that in the event of business depressions the market for watches is the first to suffer. It is essential to this and to other watch companies to keep its trained employees at work, if possible, both for their sake and for that of the company. If the personnel is disorganized by the discharge of any material number of employees in dull times, it is impossible to reorganize quickly enough to take advantage of good times.

(5) *The proposed tariff.*—The proposed amendment as it passed the House provides for an ad valorem duty on watches and parts of watches of 30 per cent. The rates fixed by the act of 1909 as above set forth are specific duties on the three lower grades and a combination of specific and ad valorem duties on the two higher grades of watches. The average equivalent ad valorem, under the act of 1909, for the year 1910 was 53.51 per cent and for the year 1911, 51.84 per cent. That is, it is proposed to make a reduction of nearly 44 per cent from the tariff collected in the year 1910 and about 41 per cent from the tariff collected in 1911. Against this reduction the Waltham Watch Co. protests most strongly. No one can doubt that Swiss watches are serious competitors of American watches in the American market, nor can it be questioned that the labor cost of Swiss watches is less than one-third that of American watches. The percentage of the cost of the labor entering into the manufacture of the watch varies from 84 to 87 per cent, according to the grade of the movement. The Swiss manufacturers have been importing into this country, paying the duties, and selling a large number of movements. For the year 1910 the number so imported under the act of 1909 was 339,719, exclusive of a large number of movements imported as parts of watches; for the year 1911 the number so imported (excluding parts of watches) was 416,777. In prosperous times the imports of Swiss watches are much greater. In 1905, 776,120 watch movements were imported. In 1907 the number imported was 1,138,720.

The success of Swiss watch manufacturers in selling their product in this country is due in no small measure to the fact that the sale of Swiss watches is more profitable to the retail jeweler than the sale of American watches, particularly those manufactured by this company. Different grades of watches manufactured by the Waltham Watch Co. are well known to consumers. Most of them are plainly marked on the plates of the movement. In any village in the country where there are two retail jewelers a prospective purchaser can obtain competitive prices on any of our well-known movements. The public in general can tell just what grade of watch they are buying. This is true of Waltham watches, but not of Swiss watches, which usually bear only the name of the retail jeweler, on whom the purchaser must rely to a very great extent. It is therefore for the jeweler's interest to push the sale of Swiss watches as against Waltham watches. The foreign market is, however, not so well posted as to the cost of American watches, which is of material benefit to the American exporter.

Should the tariff be lowered to the extent provided for in the proposed amendment, the country would be flooded with Swiss watches and it would be absolutely impossible for the Waltham Watch Co. to pay the present rates of wages to its employees. It is doubtful if the industry would survive. The outlook is unmistakably adverse at present. This we think is made sufficiently clear by the facts above set out relating to the narrow margin of profit on the watches manufactured by the company under the existing conditions.

No complaint is ever made by the consumer that he has to pay excessive prices for American made watches. An excellent watch made by this company can be bought by the consumer in a nickel case for \$5. The prices of watches have in general steadily decreased in this country, the only exception in the case of this company being a small increase in price made several years ago, due to economic conditions.

This company is entirely independent of other manufacturers of watch movements and cases in this country or elsewhere. Its product is sold in open competition with that of other makers of watch movements in this country.

The company pays in import duties on jewels and diamond bortz from \$17,000 to \$34,000 a year. In addition to a protection as large as that given by the present law, the Waltham Watch Co. urges that the system of specific duties be retained, for the reason that ad valorem duties lend themselves readily to fraudulent undervaluations. The company further urges that the class of watches containing 17 jewels and over be subdivided into four classes, viz: Seventeen jewels, unadjusted; 17 jewels, adjusted to temperature; 17 jewels, adjusted to temperature and three positions; 17 jewels, adjusted to temperature and five positions. The reasons for this classification are, in substance, that the value of the movement having 17 or more jewels depends to a very great degree on the number of adjustments. A 17-jewel movement, unadjusted, sells for less than a third the price of a movement having 17 jewels, adjusted to temperature and five positions, owing to the large amount of labor involved in making the adjustment to temperature and five positions.

The attention of the committee is further respectfully directed to the absolute necessity of a modification of the marking provisions contained in the House bill. These provisions were first introduced into the act of 1909 for the purpose of preventing fraudulent undervaluations of watches and watch movements imported into this country. Prior to the passage of the act a practice had grown up of importing watches with no mark on the plate to indicate the number of jewels or adjustment, at a very low valuation, and marking on the plates after importation a certain number of jewels and adjustment for the purpose of affording a more ready market for the watch. In some instances the watches really contained the number of jewels and were adjusted in the manner marked after importation, and in this case there was a fraud on the Government. In other instances the watches did not contain the jewels, and were not adjusted as afterwards stamped, in which case a fraud was perpetrated on the consumer. To avoid these practices it was provided in the said act of 1909, as above set out, that all movements should have marked thereon "The number of jewels and adjustments, said number to be expressed both in words and in Arabic numerals." This provision was promptly evaded by the importation of watch movements as parts of watches, the watch movements having been "knocked down" before importation and being reassembled immediately after importation and marked according to the discretion of the importer for the purposes of sale. To render this scheme futile, there was inserted in the House bill the provision that all watch movements "whether imported assembled or knocked down for reassembling" should be marked. Unfortunately, this act provided that this marking might be either by words or by Arabic numerals, whereas the act of 1909 provided that both methods must be used. This change opens the door to a fresh fraud. Should the act become law in its present form, watches, either knocked down or assembled, would be imported marked, for example, in Arabic numerals, "7 jewels," and after importation this 7 would readily become 17. Or they would be marked on importation "13 jewels," which would afterwards be changed to 23 jewels. Both have actually happened.

We therefore urge upon the committee that the marking provisions be changed so as to require the use of both words and numerals in marking the number of jewels and adjustments. It can not fairly be urged that this requirement is either impossible or imposes any hardship upon the importer, and in proof of this proposition we submit herewith three Swiss watch movements recently bought in the open market and containing the full markings, as required by the act of 1909. We particularly direct the attention of the committee to the smallest of these movements, bought on the 9th day of February, 1912, of Mathey Bros., of 15 Maiden Lane, New York, as shown by the bill submitted with the movement. It is an 8 ligne movement manufactured by E. Richard. This is the smallest regular size imported into this country. It is a full bridge model and is as difficult to mark as any movement could possibly be. An examination will, however, disclose the fact that the following is plainly marked on the movement plate: "Seventeen 17 Jewels, five 5 adjustments, Ed Richard, Locle, Swiss," as well as the number of the watch, viz, 50454, and that one of the bridges has no marking whatever upon it. The other two watches submitted, being larger, serve to accentuate the truth of the contention of this company that a compliance with the marking provisions in the form for which we are contending imposes no hardship upon the importer and can not be objected to by any

honest man. The marking on the watch movements manufactured by this company are and always have been in exact accordance with the facts. These provisions will serve as well to protect the honest importer as the American manufacturer.

The marking provisions should, therefore, we contend, read as follows:

"*Provided*, That all watch and clock dials, whether attached to movements or not, shall have indelibly painted or printed thereon the country of origin, and that all watch movements, lever-clock movements with jewels in the escapement, and cases of foreign manufacture shall have the name of the manufacturer and country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movements shall also have marked thereon by one of the methods indicated the number of jewels and adjustments, said number to be expressed both in words and in Arabic numerals; and if the movement is not adjusted the word 'unadjusted' shall be marked thereon by one of the methods indicated; and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction."

(6) *Summary*.—The Waltham Watch Co. affords employment to a large number of people at high wages, under the best possible conditions, and is barely able to maintain these wages under the present conditions. It has paid but \$300,000 a year in dividends for the past two years. During the same period it has paid out each year over \$2,000,000 in wages. If the tariff is lowered to any material degree, the present conditions can not continue. Dividends can not be cut lower than they already have been; either the wages must be cut most materially or the factory must cease to do business. The substitution of an ad valorem duty for the specific duties is most unwise, as it opens the door wide for fraud. The lower specific rates of the act of 1909 have afforded more actual protection than the ostensibly higher ad valorem rates of the preceding act.

Respectfully submitted.

WALTHAM WATCH CO.,
By ROMNEY SPRING,
Its Attorney.



DUTIES ON METALS AND MANUFACTURES OF METALS

No. 16

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

WEDNESDAY, FEBRUARY 28, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

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W. B. STEWART, *Assistant Clerk.*

II

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APR 6 1912

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Respectfully submitted.

WALTHAM WATCH CO.,
By ROMNEY SPRING,
Its Attorney.

WEDNESDAY, FEBRUARY 28, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), McCumber, Smoot, Heyburn, Simmons, Williams, and Johnson.

Senator SMOOT. Mr. Chairman, the representatives of the Harshaw, Fuller & Goodwin Co., of Cleveland, Ohio, manufacturers of oxide of manganese, and interested in manganese ores, were compelled to leave yesterday for home. They have asked that I present their brief and a letter addressed to the Finance Committee and have them made a part of the record.

The CHAIRMAN. The brief will be accepted and filed and printed as a part of the record.

The papers referred to are as follows:

MANGANESE, OXIDE AND ORE OF.

(Payne Tariff Act, par. 619, free list.)

To the Senate Finance Committee:

We beg respectfully to direct your attention to a condition affecting the manganese industry which in our opinion calls for relief. We have for a number of years imported large quantities of manganese ore from the Caucasus in southern Russia. The ore is shipped to us in bulk in 500 and 1,000 ton lots just as it comes from the mines except that it is run through a washing process at the mines to free

it from silica and other foreign substance. In this state it is known to commerce as manganese ore. It differs from the manganese ore used by steel makers in its metallic composition. We receive most of our shipments through the port of Baltimore, and from there it is transported to our works in Elyria, Ohio, where it is ground and graded for the use of manufacturers of dry batteries, glass brick, and driers. After grinding the ore is run through screens of various sizes, as some consumers require a finely powdered material, while others must have it in granulated form or in lumps of uniform size. The business of buying the ore in its crude form, bringing it to this country, grinding and grading it, was started by our company several years ago. We have built up an extensive business and employed a considerable number of workmen. The value of the ore is approximately \$12 ex vessel Baltimore. The average cost for grinding, grading as to size, and packing in barrels and casks is \$6 a ton. We pay ordinary labor \$2 per day and skilled labor from \$2.50 to \$3.50 per day, and use barrels and casks that are made by American coopers receiving American scale of wages. The machinery that we use is the product of American factories. During the past two or three years foreign plants similar to ours have been established at Antwerp, Rotterdam, and Hamburg, where the ore is now being ground, graded, packed, and shipped direct to consumers in this country. Owing to the lower labor costs for doing this work abroad we are unable to meet this competition and our business has latterly become unprofitable. Moreover, shipments are made from abroad to interior points in the United States on through bills of lading at commodity rates, whereas we are obliged to pay regular sixth-class rates on shipments from our factory to our customers. Our interior cities are therefore made quite accessible to the foreign competitors.

The Payne Act puts crude manganese ore on the free list, and properly so in our opinion, but our contention is that after grinding, grading, and packing it becomes a manufactured article in whole or in part, and should not be admitted under the clause referred to. The Treasury Department under decisions Nos. 30002 and 30249 hold against us, but we are nevertheless of the opinion that the framers of the tariff law never intended to admit free of duty manganese oxide or ore which had been ground, graded, and otherwise advanced in value to the extent of more than 50 per cent of its original value. We would respectfully suggest to this committee that paragraph 618 of the free list of the Payne Act be amended to read as follows:

Manganese, oxide and ore of, when not ground, graded, packed in bags, barrels, or other packages. ■■■■■

We make this recommendation in the interest of American labor. It is purely a question of whether this labor should be done abroad at the foreign rate of wage or whether it should be done in this country by American workmen receiving American rate of wage. If the latter, a duty must be provided to cover the difference in the labor cost:

Respectfully,

THE HARSHAW, FULLER & GOODWIN Co.,

Cleveland, Ohio.

FEBRUARY 27, 1912.

ANTIMONY ORE AND ANTIMONY OXIDE.

Antimony ore is mined in China, and is now converted into oxide in the United States by American workmen, receiving an American rate of wage.

Should it be converted into oxide in China by Chinese labor, receiving the Chinese rate of wage?

Prior to the year 1908, the consumption of antimony oxide in the United States was comparatively small, this being apparently due to the fact that its merits were either unknown or not appreciated.

Under the Dingley and preceding tariff laws a duty of 25 per cent ad valorem, equivalent to approximately 1 cent per pound, was levied on antimony oxide, without inducing any American concern to engage in its manufacture, although in 1905 the Harshaw, Fuller & Goodwin Co., of Cleveland, Ohio, began experimenting with a view to its production. Their experiments were successful, and in 1908 they established a factory at Elyria, Ohio. This plant was operated during the year named, but without financial gain, for the reason that the duty of 25 per cent ad valorem, equivalent to about 1 cent per pound, was not sufficient to enable them to produce the goods, and distribute them from Elyria, Ohio, to consumers throughout the United States in competition with foreign manufacturers operating under foreign conditions, and distributing directly from abroad through the different ports of the United States, whereas the Harshaw, Fuller & Goodwin Co. were obliged to pay transportation charges on the ore from ports of entry to their factory at Elyria, Ohio, and then pay transportation charges to the various points where the goods were consumed. In addition, they had to pay the higher rates of wage ruling in this country. They, however, continued in the business, and because of the fact that the goods were being produced within the United States, and hence easily obtainable, the consumption increased materially.

In 1909 the situation was called to the attention of the framers of the Payne tariff law, and they with a view to encouraging the development of antimony mines within the United States laid a duty of 1 cent per pound on metallic contents of antimony ore, and in addition they increased the duty on antimony oxide from 25 per cent ad valorem, equivalent to about 1 cent per pound, to 25 per cent ad valorem and 1½ cents per pound specific, or a total duty of about 2½ cents per pound.

Under this law the business developed rapidly, and in 1911 the Harshaw, Fuller & Goodwin Co. interested additional capital and erected and equipped at Elyria, Ohio, a new factory with five times the producing capacity of the old one. This new factory began operations January 15, 1912.

In the Underwood bill, now under consideration by Congress, it is proposed to reduce the Payne law rate of duty on antimony ore from 1 cent per pound on metallic contents, equivalent to seven-tenths of a cent per pound on antimony ore containing 70 per cent metal, to 10 per cent ad valorem, equivalent to three-tenths of a cent per pound on metallic contents, a reduction of four-tenths of a cent per pound, and to reduce the duty on antimony oxide from 25 per cent ad valorem (equivalent to about 1 cent per pound) and 1½ cents per pound specific to 25 per cent ad valorem.

If this bill should become a law, it would make operating conditions worse than they were under the Dingley law to the extent of the duty of 10 per cent ad valorem on the ore, equivalent to three-tenths of a cent per pound on metallic contents, and would render further operations in this country impossible.

Would this be good policy, and would it be fair to the people who have spent their time and money in introducing and developing this article and to the men who are now doing the necessary work in connection with its manufacture, packing, shipment, and distribution?

The results to the manufacturer under the various tariff laws are illustrated by the following:

Dingley law.—Antimony ore, free. Antimony oxide, 25 per cent ad valorem.

Payne law.—Antimony ore, duty 1 cent per pound on metallic contents (antimony ore contains 70 per cent metal). Antimony oxide, 25 per cent ad valorem and 1½ cents per pound specific.

Underwood bill.—Antimony ore, 10 per cent ad valorem on metallic contents (antimony ore contains 70 per cent metal). Antimony oxide, 25 per cent ad valorem.

For the purpose of comparison antimony ore will be taken at its present cost of \$3 per 100 pounds ex-vessel New York, and imported antimony oxide at its present cost of \$4.35 per 100 pounds ex-vessel New York. These prices have ruled at one time or another under all of the laws referred to.

UNDER THE DINGLEY LAW.

Under the Dingley law the Harshaw, Fuller & Goodwin Co. paid \$3 per 100 pounds for antimony ore ex-vessel New York. They paid in addition 30 cents per 100 pounds for transportation to Elyria, the antimony ore costing them \$3.30 per 100 pounds Elyria. This ore contained 70 per cent metal, and 117½ pounds of it, costing \$3.88, was used in producing 100 pounds of antimony oxide. The actual cost of converting the crude ore into finished oxide was 75 cents per 100 pounds on oxide produced. The actual cost of packages used in shipping was 25 cents per 100 pounds. The actual average cost for transportation to the different points of consumption was 45 cents per 100 pounds, making the total cost of 100 pounds antimony oxide delivered to point of consumption \$5.33. At the same time the cost of imported antimony oxide was \$4.35 per 100 pounds ex-vessel New York. The duty of 25 per cent ad valorem brought cost up to \$5.45 per 100 pounds, leaving a differential for manufacturing in this country of 12 cents per 100 pounds without providing for administration and selling charges, plant depreciation, interest on investment, etc., and showing beyond question of doubt that under the Dingley tariff law the business of manufacturing antimony oxide in the United States was actually carried on at a loss to the manufacturers.

UNDER THE PAYNE LAW.

Under the Payne tariff law the Harshaw, Fuller & Goodwin Co. paid \$3 per 100 pounds for antimony ore ex-vessel New York. They paid a duty of 70 cents per 100 pounds on the ore, and in addition,

30 cents per 100 pounds for transportation to Elyria, Ohio, the antimony ore costing them \$4 per 100 pounds at Elyria. This ore contained 70 per cent metal, and 117½ pounds of the ore, costing \$4.70, was used in producing 100 pounds of antimony oxide. The actual cost of converting the crude ore into finished oxide was 75 cents per 100 pounds on the oxide produced. The actual cost of packages used in shipping was 25 cents per 100 pounds; the actual average cost for transportation to the different points of consumption was 45 cents per 100 pounds, making the total cost of 100 pounds of antimony oxide delivered to point of consumption \$6.15. At the same time the cost of imported antimony oxide was \$4.35 per 100 pounds ex-vessel New York, ad valorem duty of 25 per cent or \$1.10, and a specific duty of 1½ cents per pound, equal to \$1.50, brought the cost up to \$6.95 per 100 pounds, leaving a differential for manufacturing in this country of 80 cents per 100 pounds, equivalent to 13 per cent, out of which were paid administration and selling charges, plant depreciation, income and other taxes, interest on investment, etc., and showing beyond question of doubt that under the Payne tariff law the business of manufacturing antimony oxide in the United States was and is being carried on at a net differential to the manufacturers between the cost to manufacture and cost to import of between 3 and 5 per cent.

UNDER THE UNDERWOOD BILL.

Under the Underwood bill the Harshaw, Fuller & Goodwin Co. would pay \$3 for 100 pounds of antimony ore ex-vessel New York. They would pay an ad valorem duty of 10 per cent on the metallic contents, and as 100 pounds of ore contain 70 pounds of metal, costing \$3, 10 per cent on the same would be 30 cents per 100 pounds. In addition they would pay 30 cents per 100 pounds transportation to Elyria, Ohio, making the cost of 100 pounds of antimony ore \$3.60 per 100 pounds at Elyria, Ohio. This ore, containing 70 per cent metal, and 117½ pounds of it costing \$4.23, would be required for the production of 100 pounds antimony oxide. The actual cost of converting the crude ore into finished oxide would be 75 cents per 100 pounds of oxide produced. The actual cost of packages required in shipping would be 25 cents per 100 pounds, the actual average cost for transportation to the different points of consumption would be 45 cents per 100 pounds, making the total cost of 100 pounds of antimony oxide, delivered at point of consumption, \$5.68. At the same time the cost of imported antimony oxide would be \$4.35 per 100 pounds ex-vessel New York. The duty of 25 per cent ad valorem would be \$1.10, bringing the cost up to \$5.45 per 100 pounds. As the cost of production would be \$5.68 and cost to import \$5.45, it is plainly evident that the Harshaw, Fuller & Goodwin Co. would have to discontinue the manufacture of antimony oxide at Elyria, Ohio, that their plant would be rendered useless and the workmen now engaged in producing the goods and the packages necessary to contain them for shipping and for transportation would have to seek other employment.

FUTURE OF THE INDUSTRY?

If it is desirable that the business of manufacturing antimony oxide be carried on in the United States it is apparent either that the duties on antimony ore and antimony oxide provided for in the Payne tariff

law be allowed to remain unchanged, or if it is advisable to reduce the duty on antimony ore specified in the Payne tariff law, of 1 cent per pound on metallic contents to 10 per cent ad valorem duty on metallic contents, as proposed in the Underwood bill, then it would be proper to make an equivalent reduction in the duty on antimony oxide. An equivalent reduction would be the substitution for the Payne law duty of 25 per cent ad valorem and 1½ cents per pound specific, a duty of 25 per cent ad valorem and 1 cent per pound specific, or if an ad valorem duty only is desirable, the equivalent would be 50 per cent. This would equal a specific duty of a trifle over 2 cents per pound, which is necessary because of the difference in labor wage and the difference in the cost of manufacturing at a central point in the United States to which the ore must be carried, and from which the oxide must be transported to different points of consumption, as against the foreign manufacturer, operating at a foreign rate of wage, and shipping his manufactured goods directly to points of consumption within the United States through all the different ports of entry.

It should be noted that this duty of about 2 cents per pound does not accrue to the manufacturer in the United States as profit, but represents cash that he must pay in connection with the manufacture and transportation of his goods and which is received either by his own employees or by the employees of transportation companies.

**STATEMENT OF MR. E. F. PRICE, OF NIAGARA FALLS, N. Y.,
REPRESENTING THE ELECTRO-METALLURGICAL CO., OF
NIAGARA FALLS, N. Y.**

The CHAIRMAN. Will you state to the committee what concern you represent, Mr. Price?

Mr. PRICE. I represent the Electro-Metallurgical Co. We have works at Niagara Falls, N. Y., and at Kanawha Falls, W. Va.

The CHAIRMAN. In what manufacture is that company engaged?

Mr. PRICE. The manufacture of ferro-alloys in electric furnaces, used chiefly in the steel industry in the manufacture of special steels.

The Electro-Metallurgical Co. is vitally interested in the proposed revision of the metal schedule of the tariff act of 1909, since it is the principal domestic producer of ferrosilicon containing more than 15 per cent silicon, and of ferrochrome, and also produces other high-grade ferro-alloys, all of which are products of the electric furnace. On the other hand, this company has no interest in the manufacture of the lower-grade blast furnace products, such as ferromanganese, spiegeleisen, and ferrosilicon containing less than 15 per cent silicon.

Following the enactment of the Payne bill in 1909, and on the strength of the recognition which this industry first obtained in that act, this company and others interested in this industry made large additional investments in increasing the capacity of their works in order to take care of the full domestic market requirements. On account of the necessity for using large amounts of hydroelectric power, the works of this company are located at Niagara Falls, N. Y., and at Kanawha Falls, W. Va., respectively, where such power is available.

When the tariff act of 1897 was enacted, the only ferro-alloys of any commercial importance were the blast-furnace products above enumerated, and that act provided certain specific duties intended

to apply to such low-grade, low-priced, blast-furnace products, but wholly inadequate so far as affording any protection to the then unknown high-grade, electric-furnace products was concerned. Many of the high-grade ferro-alloys have been discovered, and most of them first commercially made, since the tariff act of 1897 was passed. In fact, the inception and development of this really new industry have been coincident with, and dependent upon, the commercial development of the electric furnace. The utilization of these various ferro-alloys in the manufacture of steel has inaugurated a new era in steel manufacture, and made possible the economical production of steel of vastly improved quality suitable for all sorts of special purposes.

The importance to the United States Government (which is intensely interested in certain ferro-alloys which enter into the manufacture of armor plate and projectiles), as well as to the steel manufacturers, of building up this really new industry in the United States and placing it upon a competitive basis with the foreign manufacturers, was recognized by Congress when the tariff act of 1909 was passed, and the high-grade electric-furnace products were separated from the blast-furnace products, ferromanganese, spiegeleisen, pig iron, etc., and were placed in a separate paragraph of the metals schedules, No. 184, which reads as follows:

184. Chrome or chromium metals, ferrochrome or ferrochromium, ferromolybdenum, ferrophosphorus, ferrotitanium, ferrotungsten, ferrovanadium, molybdenum, titanium, tantalum, tungsten, or wolfram metal, valued at two hundred dollars per ton or less, twenty-five per centum ad valorem; valued at more than two hundred dollars per ton, twenty per centum ad valorem; ferrosilicon containing not more than fifteen per centum of silicon, five dollars per ton; ferrosilicon containing more than fifteen per centum of silicon, twenty per centum ad valorem.

The pending House bill No. 18642, revising the duties of the metals schedule, includes all of these electric-furnace products in paragraph 1, which also covers pig iron, scrap, spiegeleisen, etc. This paragraph reads as follows:

1. Iron in pigs, iron kentledge, spiegeleisen, wrought and cast scrap iron, and scrap steel, eight per centum ad valorem; but nothing shall be deemed scrap iron or scrap steel except second-hand or waste or refuse iron or steel fit only to be remanufactured; ferromanganese, chrome or chromium metal, ferrochrome or ferrochromium, ferromolybdenum, ferrophosphorus, ferrotitanium, ferrotungsten, ferrovanadium, molybdenum, titanium, tantalum, tungsten, or wolfram metal, and ferrosilicon, fifteen per centum ad valorem.

Placing the high-grade electric-furnace products in the same general class with pig iron and scrap, as House bill No. 18642 does, is a decided step backward, and putting these products on exactly the same basis with blast-furnace ferromanganese (the manufacture of which closely resembles the manufacture of pig iron) is a mistake of the gravest kind. In fact, placing the same rate of duty (15 per cent) on blast-furnace ferromanganese as upon the rarer electric-furnace ferroalloys and metals enumerated will un doubtedly not meet with the approval of any interest. For instance, reducing the existing rates on the high-grade electric-furnace alloys and metals from 25 and 20 per cent ad valorem, respectively, to 15 per cent, can not, we believe, be of advantage to any interest, for the simple reason that these duties, as will be later shown, are already on a tariff-for-revenue basis and are not protective. As proof of this statement, United States Treasury statistics quoted in the appendix

hereto show large and increasing imports of these products. Lowering these duties to 15 per cent will be of no benefit to the Government, since it will reduce the amount of revenue, as is shown in the estimates contained in the majority report of the Ways and Means Committee on the House bill. On the other hand, any reduction in these duties will be disastrous to the electric-furnace ferroalloy industry in the United States and will again turn over the manufacture of these products to the foreign manufacturers, who, by reason of domestic competition being destroyed, will ultimately through the selling syndicates artificially raise the selling prices in this country. Such a condition will prove to be a positive disadvantage to the domestic steel manufacturer, because it will finally place him at the absolute mercy of the foreign manufacturers and selling syndicates as soon as the domestic industry is wiped out and competition from this source eliminated.

The Ways and Means Committee of the House have admitted in their estimates that a loss in Government revenue will take place by the proposed reduction in these duties, and, evidently to offset this loss, that committee increased the duty on the blast-furnace product, ferromanganese, by more than 100 per cent. This product under the Payne Act carries the specific duty of \$2.50 per ton, equivalent, during the past two years, to between 6½ and 7 per cent ad valorem. The House bill raises the duty on this product to 15 per cent ad valorem and estimates the increased duty at from \$275,000 per year under the Payne Act to about \$600,000 per year. This increase is a direct burden which will be borne by the steel manufacturers, chiefly the independent manufacturers, since there is only one steel interest in the United States which manufactures ferromanganese, which it does for its own use exclusively. If the House bill passes, it will mean that without correspondingly benefiting any American manufacturer the independent steel manufacturers will have to pay a higher price for their imports of this product.

In other words, this paragraph of the House bill seems utterly indefensible, because it needlessly and without any corresponding benefit sacrifices the new electric-furnace domestic industry of producing these ferro-alloys and rare metals. To compensate for the resulting loss in revenue an additional burden is placed on the steel manufacturers by more than doubling the rate of duty on ferromanganese, which benefits no American industry. Any apparent benefit which the steel manufacturers might derive from a lowering of the duties on the electric-furnace products to 15 per cent will be offset many times over by the certain increase in the cost of ferromanganese, because the consumption of ferromanganese is probably ten times the total consumption of all the electric-furnace ferro-alloys and metals combined.

We believe and submit that the lowering to 15 per cent of the existing duties on these high-grade electric-furnace ferro-alloys and metals, and the more than doubling of the duty on the blast-furnace product ferromanganese by raising the duty to 15 per cent ad valorem, are inconsistent with all of the governing factors and conditions relating to the industries affected, and are therefore absolutely indefensible.

When the tariff act of 1909 was pending, we contended that a rate of 30 per cent ad valorem should be imposed and was necessary to

give us a protective (but not prohibitive) rate of duty. This belief was founded upon the greater cost of producing ferro-alloys in electric furnaces in the United States as compared with the cost in the several foreign countries where they are largely manufactured. This increased domestic cost is not only due to the much higher cost of labor, electrodes, and certain other essential raw materials in this country, as well as the larger capital and plant investments necessary in the United States, but is also largely due to the higher cost of the thousands of horsepower of electric energy required to heat the electric furnaces to the high temperatures necessary.

In the manufacture of the moderate-priced electric-furnace ferro-alloys, such as ferrosilicon and ferrochrome, in which we are so vitally interested, electric power forms one of the large items of cost, and such power can be obtained in certain European countries in unlimited abundance at approximately one-half the cost of similar hydro-electric power in the United States. All the mountainous countries of Europe have cheap hydro-electric power developments, but the countries having such power in the greatest abundance and capable of the cheapest development are Norway and Austria. These countries also have cheaper labor than the average in European countries, and under these favorable conditions the electrochemical and electrometallurgical industries are rapidly growing in these sections of Europe and are now in a position to dominate the markets of the world. There are companies in Europe having large works in both Austria and Norway, and they are thus in the strongest possible position.

As illustrating the quantity of such hydroelectric power available and its cheapness, we quote extracts from a lengthy illustrated paper read before the Faraday Society of Great Britain in London on Tuesday, May 2, 1911, by A. Scott-Hansen, Esq., the eminent civil engineer of Christiania, Norway, which we submit herewith as Appendix B. The difference in cost of power is due to the more favorable inherent natural conditions and to the much lower cost of labor used in the construction of power developments abroad, as well as to the greater demand for such power in urban communities in the United States.

In order to place the domestic ferro-alloy industry upon absolutely the same competitive basis as the foreign manufacturers (so far as cost of manufacture is concerned), we still believe, as we contended in 1909, that a 30 per cent ad valorem rate of duty should be enacted and would be equitable to all interests affected. In any event, we have no hesitancy in asserting that any lowering of the rates in paragraph 184 of the Payne Tariff Act will result in disaster to the domestic ferro-alloy industry, will be ultimately detrimental to the steel manufacturer, and will decrease the revenue to the Government.

When paragraph 184 was under consideration in 1909, we expressed the belief that a rate of 25 per cent ad valorem would produce the maximum amount of revenue for the Government; and while the rates in paragraph 184 average less than 25 per cent, the statistics of imports compiled by the Treasury Department fully bear out the prediction which we then made. The total tonnage imported of all the electric-furnace ferro-alloys and metals enumerated in paragraph 184 of the existing Payne Act for the two fiscal years of 1908 and 1909 during which the low rates on these products under the Dingley Act of 1897 was in force was 20,826.22 tons, and the total duty collected during

these two years was \$96,026.44, whereas the tonnage imported for the two fiscal years 1910 and 1911 under the Payne Act amounted to 26,241.03 tons, and the total duty collected amounted to \$410,762.57. In other words, with an increase of only 25 per cent in tonnage the rates imposed by the Payne Act increased the revenue to the Government more than 300 per cent over the amount derived under the Dingley Act. That is to say, in spite of the higher rates of duty on these products under the act of 1909 the tonnage imported has increased, thus showing that the rates are not fully protective, but are really on the tariff-for-revenue basis.

Senator HEYBURN. How many of these ferros do you apply that to?

Mr. PRICE. Practically all of the more moderate-priced ferroalloys—ferrosilicon, ferrochrome, ferrotungsten—

Senator HEYBURN. Do you include tungsten in that?

Mr. PRICE. Yes, sir.

Senator HEYBURN. We had tungsten up the other day. Do you call that a moderate-priced article?

Mr. PRICE. No; I call that one of the high-priced ones. Ferrosilicon and ferrochrome are the moderate priced ones, and ferrosilicon is the one that constitutes the bulk of the tonnage made in electric furnaces. It is larger than all the rest combined.

Senator HEYBURN. Ferrosilicon is larger than all the rest?

Mr. PRICE. In tonnage.

Senator HEYBURN. In tonnage, but not in value?

Mr. PRICE. Not in value: oh, no, sir. It is the cheapest of the lot.

Senator HEYBURN. The article you refer to is in regard to the cost of production of ferrosilicon abroad?

Mr. PRICE. I am endeavoring to show that the rates of 1909, while they were increased over the rates of the preceding act, did not go far enough. They helped, but they did not fully protect; they are simply on a revenue basis now, and any lowering of them will simply ruin the industry, that is all.

Senator HEYBURN. The proposed bill puts them all on the same basis?

Mr. PRICE. It puts them in exactly the position of blast-furnace products.

Senator HEYBURN. At 15 per cent ad valorem?

Mr. PRICE. It lowers the duty on electric-furnace products, sir, and increases it on ferromanganese, a blast-furnace product which is made in this country by but one manufacturer.

Senator HEYBURN. You say it does result in increasing it on ferromanganese?

Mr. PRICE. It raises it more than 100 per cent, sir.

Senator HEYBURN. Is that because of the value of ferromanganese; that is to say, of the dollars and cents it represents in value?

Mr. PRICE. No. The duty on ferromanganese under the Payne Act is \$2.50 per ton, which is equivalent, at the prices that ruled for the last year or two, to from $6\frac{1}{4}$ to 7 per cent ad valorem. They have raised the duty to 15 per cent ad valorem, which is more than double the old figure. That product is not manufactured in the United States except by one steel interest, and they do not sell it.

Senator HEYBURN. What is that, the United States Steel Corporation?

Mr. PRICE. I understand they manufacture it.

Senator HEYBURN. They have their own plant?

Mr. PRICE. I understand so.

Senator HEYBURN. And the rest of the steel men have to import it?

Mr. PRICE. That is as I understand. Of course, there is ten times as much ferromanganese used by the steel manufacturers as all of the other of these ferro alloys combined, in tonnage.

Senator HEYBURN. You do not mean of ferromanganese?

Mr. PRICE. Yes.

Senator HEYBURN. As much is used as of all the others combined, you say?

Mr. PRICE. Ten times as much, I should say, in tonnage.

Senator HEYBURN. How does it compare with ferrosilicon?

Mr. PRICE. I should say it is twenty times as much as ferrosilicon, in round figures. Perhaps I should not say twenty times, but perhaps fifteen times as much.

Senator HEYBURN. I just wanted to get the relation they bear to each other.

Mr. PRICE. Appendix A, submitted herewith, shows details of imports and of the revenue derived therefrom of the principal high-grade ferro-alloys, including ferrosilicon containing more than 15 per cent of silicon, and ferrochrome, in which we are primarily interested and which constitute the bulk of the tonnage consumed.

The selling prices of these various products have been subject to material variations for several years past. For instance, while ferrosilicon slightly advanced in price upon the passage of the act of 1909, it subsequently materially declined; but with the resumption of activity in the steel business here and abroad, the price has again increased until it is now slightly above the level prevailing when the act of 1909 was passed. On the other hand, ferrochrome is now selling at much lower prices than in 1909, and this is also true of both ferrovanadium and ferrotungsten. Never since beginning the manufacture of ferrosilicon in 1907 (up to which time the selling price in the United States was abnormally high, due to the demands of the foreign selling syndicate) have the domestic producers been able to fix the selling price of this alloy, as we have always had to meet foreign competition, whose quotations fix the selling prices in the United States.

Senator HEYBURN. Do any other concerns except the United States Steel Corporation make ferrosilicon?

Mr. PRICE. I do not think any of them make their ferrosilicon.

Senator HEYBURN. They do not?

Mr. PRICE. No, sir. They make only the ferro-manganese.

Senator HEYBURN. They depend entirely on the import?

Mr. PRICE. No; we have that business, but at the import price.

Senator HEYBURN. That is to say, the import price controls the price in this country?

Mr. PRICE. It has done it. I have been in this business for five years, sir; and practically in not a single instance have I been able to get my price. In other words, I have not been able to fix the price. It is the other fellow's price. They will always give us the business at the same price the foreigner will sell for, but that is what fixes the price. You will understand that better when you appreciate the fact that 40 per cent of the ferrosilicon consumed in the United States is imported.

Senator HEYBURN. Is that about the proportion of the other ferros that are consumed?

Mr. PRICE. I would assume that a little less than 40 per cent, probably 20 to 25 per cent, of the others are imported.

Senator HEYBURN. Of course there are some of them that are all imported?

Mr. PRICE. Some few are all imported.

Senator HEYBURN. But there is no approximation to an equal value among these ferros?

Mr. PRICE. No. They depend upon a great many different circumstances.

Senator HEYBURN. Some of them are worth many times as much as the others?

Mr. PRICE. Yes.

Senator HEYBURN. So they are placed upon an ad valorem basis in this bill, according to their value?

Mr. PRICE. Yes. I judge that with the exception of ferrosilicon, perhaps, most of these other alloys will have to be covered on an ad valorem basis.

Senator HEYBURN. We have covered them in a specific basis in the present law, have we not?

Mr. PRICE. No, sir.

Senator HEYBURN. We have in the case of some of them.

Mr. PRICE. No, sir; only ferromanganese, which is a blast-furnace product.

Senator HEYBURN. You may proceed. I will call your attention to the others later on.

Mr. PRICE. These foreign producers have been able to "dump" their products in the United States, well knowing our inability to produce under conditions prevailing in the United States at prices which would enable us to compete with them abroad. During the fiscal years 1909 and 1910 (during which the Payne Act has been in force) the importations of ferrosilicon containing more than 15 per cent silicon have represented approximately 40 per cent of the total consumption in the United States, notwithstanding that the domestic producers have works with sufficient capacity to supply the full market requirements. This in itself is sufficient to establish the fact that the existing rate of duty of 20 per cent ad valorem is a revenue duty and not a protective rate.

During 1911 we had a thorough investigation made of the conditions controlling the manufacture and sale of these products prevailing abroad, and this inquiry absolutely confirmed our views that no reduction should be made in the rates of paragraph 184 of the Payne Tariff Act. Figures showing comparative costs of labor and electric power in the United States are submitted herewith in Appendix C.

These electric-furnace products are used chiefly by steel manufacturers in relatively small proportions, each element being employed to effect a specific result in the finished product.

Senator HEYBURN. The importance of this item does not depend upon the magnitude of the use, but the fact that by its use a result can be obtained that can be obtained in no other way? That is really it, is it not?

Mr. PRICE. In many cases you can obtain results that can not be obtained in any other way; and in other cases you can attain a definite result at a much lower cost by the use of these products.

For example, ferrosilicon containing more than 15 per cent silicon is used by some of the manufacturers of open-hearth steel rails, structural materials, steel castings, etc., primarily in order to remove occluded gases and thus render the steel ingots solid. Chromium (the principal use of which is in the manufacture of armor plate and projectiles) imparts toughness and in conjunction with nickel, hardness and greater tensile strength. Vanadium imparts greater tensile strength and greater resistance to strains and shocks. Tungsten produces a high-speed steel which retains its temper at red heat. Titanium removes nitrogen.

These products are used in minute proportions and marvelously improve the quality and cheapen the cost of manufacture of the several steel products into the manufacture of which they enter. They are not raw materials in any proper sense of that term and can not accurately be so designated any more than the steelmakers' diversified products can be termed raw materials for the many other lines of manufacture into which they enter. As a matter of fact, these electric-furnace products are the result of more elaborate processes and involve more complicated metallurgical and chemical operations and the utilization of a higher degree of technical skill than are involved in the manufacture of the steel into which they enter.

Senator HEYBURN. I have here now the item to which I referred. There is a specific duty of \$5 per ton on ferrosilicon.

Mr. PRICE. Ferrosilicon containing less than 15 per cent of silicon.

Senator HEYBURN. I was going to classify it. Then, on ferrosilicon containing more than 15 per cent, 20 per cent ad valorem; it was \$4 a ton?

Mr. PRICE. Yes, sir.

Senator HEYBURN. Now we will take item 118. We find there is a specific duty on ferromanganese. I think there is one other of the ferros upon which there is a specific duty, but I am referring now simply to the change of the system of levying duties under this bill as compared with the existing law, and I want the record to show that they are transferring specific duties to the ad valorem column.

Mr. PRICE. Yes; that is true, certainly, with respect to ferromanganese.

Senator HEYBURN. It is true not only of ferromanganese, but—

Mr. PRICE. And of ferrosilicon containing less than 15 per cent of silicon, a blast-furnace product.

Senator HEYBURN. Yes; but those two ferros are the largest of all the imports of ferros.

Mr. PRICE. The ferromanganese is.

Senator HEYBURN. Take the two together. You said one was about 40 per cent and the other 20. That would make about 60 per cent.

Mr. PRICE. I referred to ferrosilicon containing more than 15 per cent when I referred to the ferrosilicon.

Senator HEYBURN. Oh, you did?

Mr. PRICE. Yes, sir.

Senator HEYBURN. All right. I wanted the comparison to be carried into the record, so that we would not have to hunt it up every time.

Mr. PRICE. The average percentages of the several ferro-alloys employed varies; in the case of 50 per cent ferrosilicon used in the manufacture of some open-hearth steel, less than one-third of 1 per-

cent is used, which, at the market price, represents a cost of about 15 cents per ton of steel treated. In the case of ferrotitanium, less than one-half of 1 per cent is ordinarily used, equivalent to less than \$1 per ton of steel rails into which it enters. In the case of ferrochrome, 3 per cent to 5 per cent is used in the manufacture of armor plate and projectiles, which costs from \$3 to \$5 per ton of steel, and which is an insignificant proportion of the price paid by the Government for its armor and projectiles. Vanadium and tungsten are used in varying proportions, usually in the manufacture of high-grade special steels, which sell for 40 cents per pound and upward. It is therefore clear that the duty assessed upon these ferro-alloys is an exceedingly small proportion of the cost of the finished steel.

United States Treasury statistics show that notwithstanding the average ad valorem duties under the act of 1909 are higher than the corresponding duties under the act of 1897, the rates in paragraph 184 are not protective, but are on a revenue basis. Furthermore, while the consumption of these various products is increasing and the domestic production is increasing, the yearly imports under the act of 1909 show an increase of more than 25 per cent over the corresponding imports of the two years preceding the passage of that act. It therefore follows that since the tonnage consumed has increased, and the rates under the act of 1909 are higher than under the act of 1897, the Government revenue derived from the imports of these alloys has materially increased. It is also a fact that during this period the selling prices of these products have varied somewhat; and while now higher in some cases and in others much lower, they are, on the whole, lower than before the act of 1909 was passed.

With rates of duty lower than the existing rates (which are the minimum rates upon which the domestic industry can survive), the cost to the steel makers of these products will inevitably be higher because of the operations of foreign syndicates in controlling and limiting output, and in artificially raising the selling prices beyond reasonable limits. This was done before this company entered the field, and will certainly take place if it does not survive.

For instance, when this company started in business in 1907, the selling price of 50 per cent ferrosilicon was approximately \$110 per ton, whereas to-day is less than \$70 per ton. The selling prices of ferrochrome and other ferro-alloys have also correspondingly declined during this period, due chiefly to the keen competition between the domestic and foreign manufacturers. In other words, the operations and policy of this company in endeavoring to build up this domestic industry have saved to the manufacturers of the United States hundreds of thousands of dollars in the way of lower prices for these products, and will continue to do so if it is permitted to live.

In view of the Government statistics, and of all of the pertinent and governing facts, we believe our contention to be absolutely sound that the existing rates of duty provided for in paragraph 184 of the act of 1909 do not afford adequate protection, but are merely revenue producing, and therefore should not be objected to by those who believe in imposing a tariff for revenue only; and certainly not by those who consistently believe in a protective tariff.

For the reasons stated, we believe our protest against any lowering of the existing rates on ferro-alloys covered by paragraph 184 of the Payne Act of 1909 is both logical and reasonable. If any change is made, the rates should be increased to 30 per cent ad valorem.

We therefore most respectfully request that these rare metals and ferro-alloys be covered by a separate paragraph, as in the Payne Tariff Act, and that the existing rates be not lowered in any revision of the metals schedule.

Senator HEYBURN. Have you taken into consideration the classification of these metals that the court made? When this matter was up for consideration at the time of the making of the present tariff law, some stress was laid upon the fact that the court had determined the classification of these ores, and that we must be governed by it. It was in the decision in the case of *United States v. Roesler* (137 Fed. Rep., 770), in which the court held that where these articles were found in certain combinations, certain of these ferros that were named would be classified under the head of ferromanganese, and would take that duty. That would carry tungsten and some of the other metals with it in that classification.

Mr. PRICE. It did for the time being.

Senator HEYBURN. That would probably affect the line of argument that you are making in regard to that article.

Mr. PRICE. I am rather familiar with some of that litigation, although perhaps not with that specific case. Many of these products were not specifically mentioned in the act of 1897 because they did not exist; and under the similitude clause, as I recollect, this litigation was begun, and finally it was determined that they should go under the class of ferromanganese.

Senator HEYBURN. It was because of that decision that the classification of the present law was adopted; because of the decision that the courts had made prior to the passage of that act.

Mr. PRICE. I understood at the time that it was the intention to so specify and enumerate these articles that no probable litigation or confusion would arise.

Senator HEYBURN. That was what was intended.

Mr. PRICE. And I think they ought to be specifically mentioned in some paragraph; certainly not in the pig-iron and scrap paragraph. It seems to me that is the wrong place to put them.

Senator HEYBURN. They are under a separate classification under the existing law.

Mr. PRICE. In paragraph 184; yes, sir.

Senator HEYBURN. All right; that is all. I simply wanted to identify the process of reasoning that we went through before, by which we arrived at the present classification. The proposed law entirely disregards that.

Mr. PRICE. I have here just a few notes that I thought might be interesting in connection with this investigation, that we had made last year by a very eminent consulting engineer—a man who has designed and built more of these ferro-alloy electric furnace plants in Europe, I think, than anybody else. I engaged him last year to look over the field with a view to possibly putting a plant on the other side. That was the idea we had, because we did not seem to have enough protection to protect the industries on this side; and we were considering the possibility of establishing a plant on the other side. So I went rather completely into costs; and he absolutely bore out all that I have mentioned in the preceding statements in regard to the cost of water power.

'You can get any amount of water power in Norway and Austria, where labor is cheaper than it is in Germany, and where the cost of manufacture is probably lower than in any part of Europe. In the case of Austria it is in the part of Austria that was recently taken from Turkey, and the rate of wages there is much less than one-half of what we have to pay. His figures, for instance, showed that a furnaceman to whom we paid \$960 a year, would get \$370 over there for doing exactly the same kind of work. They showed that ordinary labor, of which we use some, and pay it from \$1.75 to \$2 per day, would get 60 to 80 cents a day. His unit cost of making a ton of ferrosilicon was in about the same proportion. That is, we had to pay 2.6 times as much for making a ton of ferrosilicon for labor only.

The CHAIRMAN. Was that report chiefly on the labor question? Is that the report you have in your hand?

Mr. PRICE. No; it happens to be only some notes that I made from this report. I feel rather reluctant to insert this man's name here, because the report was not made for this purpose, and I thought perhaps it might embarrass him on the other side with his clients over there.

The CHAIRMAN. The reason I ask is that the committee is very much interested in any data regarding wages and labor costs. You had better leave that paper with the stenographer.

Mr. PRICE. I shall be very glad to see that he has it; but that is about the proportion. The difference in the power cost and the labor cost alone in this country are enough to justify a rate of duty of 30 per cent.

Senator HEYBURN. Thirty per cent?

Mr. PRICE. For instance, it takes a horsepower one year to make a ton of ferrosilicon; and a horsepower per year at Niagara Falls costs from \$16 to \$18, with a tendency to increase, due to treaty and legislative restrictions, etc. In Europe there is no question about being able to get it for \$7 or \$8; and these figures here show that it can be had for \$5 in some instances.

Senator HEYBURN. What per cent would you suggest?

Mr. PRICE. I think the rate of duty on all these products ought to be 30 per cent ad valorem; not less.

The CHAIRMAN. In Europe do they attempt to limit the franchise or the water power as the effort is being made to do in this country?

Mr. PRICE. Generally, I understand, they are encouraging the development of water power, particularly in up Norway. I presume there are some regulations with which I am not very familiar; but Norway has no particular use for this power in the sense of having urban communities and that sort of thing, and they are going in for this electrochemical and electrometallurgical industry in a very large way; and Norway and Austria will dominate this industry.

Senator SMOOT. Mr. Price, do I understand you to recommend an ad valorem duty of 30 per cent, or would you prefer a specific duty to an ad valorem duty?

Mr. PRICE. Personally, I think a specific duty is infinitely better and much to be preferred, for reasons that I think have been advanced here at considerable length; but it seems rather difficult to apply. Take, for instance, ferrochrome: It varies in price all the way from, say, 8 cents a pound to 50 cents a pound for exactly the same stuff. It is all ferrochrome; but the difference in price is due, for instance, to the percentage of chromium content alone.

Senator McCUMBER. If it costs you from two and one half to three times as much a ton to manufacture in this country, how could you compete with the foreign product with a 30 per cent ad valorem duty?

Mr. PRICE. I do not think you have quite stated my contention. It costs two and one-half to three times as much for labor, and considerably more for power.

Senator McCUMBER. What would be the relative cost in this country and in Norway or Sweden, or wherever it is manufactured, of a ton of this material?

Mr. PRICE. Taking ferrosilicon as an illustration, during the three years 1909, 1910, and 1911, the cost in this country was approximately \$50 per ton—rather more than less. The report of this eminent engineer that I have referred to shows that those products can be made on the other side, in Norway and in Austria, for approximately \$30 per ton.

Senator McCUMBER. \$30?

Mr. PRICE. Yes, sir.

Senator McCUMBER. And put upon the market at that price?

Mr. PRICE. He does not say that. He says they can be made for that. I am giving you costs.

Senator McCUMBER. If it costs \$50 per ton here as compared to \$30 per ton in the old country, how can you compete on the basis of a 30 per cent ad valorem duty?

Mr. PRICE. That is a difference of \$20. The difference between \$30 and \$50 is a difference of \$20 per ton. Thirty per cent of \$50 or \$60, which is the price that prevails over there (it is about \$60 now) is \$15. They have some ocean carriage and some little disadvantage in being on the other side. We are near by, and we can make prompt shipments, and all that sort of thing; and it influences them. I do not say that that gives the domestic manufacturers a monopoly of the business in any sense. It puts us substantially on the same basis. I have ceased to try to get an advantage. I am trying to get on the same basis.

Senator McCUMBER. What is the value of the product consumed in this country?

Mr. PRICE. My recollection is that in the years 1909–10–11 we sold something over \$2,000,000 worth of ferrosilicon.

Senator McCUMBER. Do you mean all of the manufacturers when you say "we?"

Mr. PRICE. No; that is our own product only. I presume that in the case of ferrosilicon we are the largest manufacturer, and probably make 75 or 80 per cent of the domestic production.

Senator McCUMBER. And you produced how much?

Mr. PRICE. The consumption in round figures is about 20,000 tons in a good year, and this country produced about 60 per cent of that. We produced 50 per cent, the others probably 10 per cent, and about 40 per cent of it was imported.

Senator McCUMBER. That is what I want to get at. Forty per cent of our consumption at the present time is imported?

Mr. PRICE. There is a capacity in this country now to manufacture the full amount of the requirements. This was a sort of struggling industry in the hands of a number of people when we took it up. We felt confident that when the tariff was revised in 1909 these products would be protected, and we put a lot of money in the enterprise.

Senator McCUMBER. Has the price of the American product advanced or gone down since then?

Mr. PRICE. It has varied. When the act of 1909 was passed, ferrosilicon was selling for in the neighborhood of \$60 to \$65 per ton. Since that act was passed we have been struggling with the operations of this foreign syndicate, and they have sold it down as low as \$50 per ton in this country, which price we had to meet, and which was below our cost. In other words, they made a very consistent and strong effort to drive us out of this business. Recently there has been an increasing demand on the other side, and they have changed their tactics somewhat, and the present price on the other side is in the neighborhood, as I say, of \$60 a ton; so that our price to-day is \$65 and \$70.

Senator McCUMBER. When did we begin the manufacture of this article in this country?

Mr. PRICE. In 1907, practically.

Senator McCUMBER. What was the price then?

Mr. PRICE. \$110 per ton, in round figures.

Senator McCUMBER. It was \$110 per ton when we were dependent upon the foreign market?

Mr. PRICE. Exactly.

Senator McCUMBER. Since we have given it protection, and begun the production in this country, it has gone down to as low as \$50 a ton?

Mr. PRICE. Yes; \$50 a ton. That, of course, is not a normal price; but it is now selling for between \$65 and \$70.

Senator HEYBURN. What is a normal price?

Mr. PRICE. The price of ferrosilicon ought to be between \$75 and \$80 per ton in the United States. When I induced a lot of people to put money into this enterprise—and a great deal of money has been invested—I knew that \$110 per ton was too high and I assumed the price would drop to \$75.

Senator HEYBURN. Can you tell us the various places where these ferros are manufactured in this country? I suppose there are only a few places.

Mr. PRICE. Niagara Falls, N. Y.; Kanawha Falls, W. Va.; and several places in Pennsylvania—York, Pa.; Primos, Pa.; and others.

Senator HEYBURN. What is the raw material?

Mr. PRICE. It depends on which ferro alloy you are dealing with. There is an ore for each one—that is, chrome ore for ferrochrome, of course tungsten ore in the case of tungsten, etc.

Senator HEYBURN. All of the raw material is convenient, is it, to the points you named—Niagara Falls, or Kanawha Falls, W. Va.?

Mr. PRICE. The chrome ore is practically all imported and comes from inaccessible parts of the world. For instance, some of the largest deposits are in the middle of Africa, in Rhodesia, and in New Caledonia, Australia.

Senator HEYBURN. We have some chrome deposits in this country, have we not?

Mr. PRICE. They have not been very much exploited. They have not been developed. I believe they are low in chromium. I think, in time, if this industry could be built up and stabilized—

Senator HEYBURN. If the inducement were offered, they probably would be developed in this country?

Mr. PRICE. That seems to be the case.

Senator HEYBURN. Where do you get the base of your ferrosilicon?

Mr. PRICE. That is a very pure form of quartz. Usually we get it in Pennsylvania.

Senator HEYBURN. There is plenty of it in the country generally?

Mr. PRICE. Oh, yes; it is a very prevalent form of raw material.

Senator HEYBURN. Quartz ranks about third in the rock products of the United States, does it not?

Mr. PRICE. I am unable to answer that question.

Senator HEYBURN. At any rate, it is not scarce?

Mr. PRICE. Oh, no; It is very plentiful.

The CHAIRMAN. Is that all, Mr. Price?

Mr. PRICE. That is all I wanted to submit to the committee. I have other figures here.

Mr. Price submitted the following papers:

APPENDIX "A."

DETAILS SHOWING IMPORTS OF THE PRINCIPAL HIGH-GRADE FERRO-ALLOYS.

Total imports of all ferro-alloys and revenue collected.

Year.	Quantity.	Duty collected.
	<i>Tons.</i>	
1907.....	12,862.34	\$22,533.55
1908.....	11,983.09	54,083.88
1909.....	8,893.20	42,007.56
1910.....	14,544.46	275,632.97
1911.....	11,696.57	195,729.99

Imports of ferrosilicon containing more than 15 per cent silicon.

Fiscal year ending June 30—	Rate of duty.	Quantity.	Value.	Duty collected.	Foreign value per ton.	Equivalent average ad valorem duty.
		<i>Tons.</i>				
1907.....	\$4 per ton.....	12,653.12	\$914,328	\$50,612.46	\$73.26	5.54
1908.....	do.....	11,892.02	722,575	47,565.08	60.73	6.52
1909.....	do.....	8,816.03	404,585	35,264.16	45.89	8.72
1910.....	20 per cent.....	6,281.24	360,906	72,181.20	57.46	20.00
1911.....	do.....	9,390.65	458,048	91,609.60	48.78	20.00

Imports of ferrochrome.

Fiscal year ending June 30—	Rate of duty.	Quantity.	Value.	Duty collected.	Value per ton.	Remarks.
		<i>Tons.</i>				
1907.....	20 per cent....	25.00	\$14,929	\$2,985.80	\$597.15	Includes all grades.
1908.....	do.....	26.00	4,560	912.00	175.38	Do.
1909.....	do.....	67.67	24,581	4,916.20	363.25	Do.
1910.....	do.....	25.00	22,153	4,430.60	368.75	Valued at more than \$200 per ton.
1911.....	25 per cent....	172.00	21,130	5,282.50	122.86	Valued at \$200 per ton or less.
	20 per cent....	47.02	24,583	4,916.60	\$22.82	Valued at more than \$200 per ton.
1911.....	25 per cent....	685.95	58,700	14,675.00	89.08	Valued at \$200 per ton or less.

Imports of tungsten and ferrotungsten.

Fiscal year ending June 30—	Rate of duty.	Quantity.	Value.	Duty collected.	Value per ton.
		<i>Tons.</i>			
1907	20 per cent.	10.96	\$16,312	\$3,262.40	\$1,488.32
1908	do.	15.00	27,709	5,541.80	1,847.27
1909	do.	9.50	9,136	1,827.20	961.69
1910	do.	387.24	474,254	94,850.80	1,224.79
1911	do.	294.50	368,618	73,723.60	1,251.67

APPENDIX B.

Read before the Faraday Society of Great Britain, in London, on Tuesday, May 2, 1911, by Mr. McCULL, Civil Engineer, of Christiania, Norway, entitled, Hydro-Electric Plants in Norway and their Application to Electrochemical Industries.]

When your distinguished society did me the honor to invite me to read a paper before the society, I, knowing that you were principally interested in scientific questions connected with physics and chemistry, felt constrained to reply that, being merely a constructional engineer, I could have nothing new or interesting to communicate. I could, however, tell of the great possibilities owned by my country, Norway, in its wealth of waterpower, which is even now, and in future will still further be, of the utmost importance for electrochemical and electrometallurgical industries, and I therefore venture to hope that this subject may be found worthy of your attention.

As you are aware, and as many of you have doubtless seen, Norway is essentially a mountainous country, rising abruptly along its western seaboard to a height of several thousand feet and then, after more or less wide elevated plateaux, from which higher peaks frequently rise, gradually sloping toward the east, without, however, losing its hilly character or to any degree attaining the character of level country.

The whole of the western coast is indented by countless clefts or valleys, forming magnificent fjords, arms or inlets of the sea, penetrating up to more than 100 miles into the country, and in the same way these clefts continue as valleys, frequently extending to the higher slopes by which access to and across the highlands is obtained.

Through these valleys the rivers run down to the sea, and these rivers constitute a constant source of waterpower of such magnitude that they may well be said to represent national wealth in the same manner that coal does in countries in which it is abundant.

The total waterpower in Norway has been estimated at from 5,000,000 to 7,000,000 horsepower, but this is probably too low an estimate, as although all the larger water-courses which are at all well known are included, there are undoubtedly numerous smaller and little known falls that have not been reckoned, but which, when the time comes, can and will be made use of. Moreover, large portions of northern Norway are practically unknown as regards their hydrography.

In most instances it will be possible to convey the power to the coast, where in one or other of the countless safe harbors which are practically open at all seasons it should be the means of establishing lucrative industrial undertakings.

I will now revert to the facilities for storing up the water supply in reservoirs formed by damming the mountain lakes and rivers. In almost every instance firm rock foundations will be met with on which to build dams or in which to make channels, tunnels, or on which to lay pipes or conduits, flumes, etc. The cost is, therefore, comparatively small. I think I may venture to say that I do not believe any country in the world will, on the whole, be able to obtain water power more cheaply than Norway, especially when remembering that in the great majority of cases the power can be delivered at a good sea harbor.

Of course the cost will be dependent on various circumstances; but it may be taken that the power stations can supply power at prices from about 22s. (\$5.37) to, say, 44s. (\$10.74) per horsepower year at the power station—prices which enable the waterfalls to be taken into the service of the great industries.

The industries that are able to make use of the large powers, for instance, 50,000 to 100,000 horsepower from a single waterfall, are, as I mentioned, not those which require

power to actuate machinery, but must be of an electrochemical or electrometallurgical nature. In this sphere the large Norwegian waterfalls will henceforth find their great importance, and it is in this direction that developments have begun to make rapid progress in Norway.

In the discussion of the foregoing paper Dr. F. M. Perkin emphasized the fact that cheapness was a great characteristic of hydro-electric power in Norway and Mr. W. M. Morrison, another member of the Faraday Society, stated that he had had something to do with the great water-power development in Norway and had seen most of the hydro-electric plants referred to in the paper, and also stated that:

"He agreed with Dr. Perkin with regard to the surprising cheapness of Norwegian water power. He believed that from some falls the figure fell substantially below the 22s. (\$5.37) per estimated horsepower year mentioned by Mr. Scott-Hansen; perhaps, indeed, as low as 15s. (\$3.66) or 16s. (\$3.90), including all capital and running charges."

Mr. Scott-Hansen's paper tabulates the water-power developments in Norway, and shows that there has been developed in a comparatively short time approximately 500,000 horsepower, chiefly for use in electrochemical and electrometallurgical industries. He also stated that during the year 1909 Norway exported 64,413 tons of such products and that the statistics for 1910, while not complete, show a large increase.

One of our United States consuls (Thomas H. Norton), in a report recently published in the Mining and Engineering World, relative to electrochemistry and metallurgy in Norway, makes the following statement with respect to the price of water power: "In Norway rates vary usually between \$5.40 and \$10.70 (per horsepower year). There are some cases where the cost is even as low as \$4."

APPENDIX C.

During 1911 we had a careful investigation made of the conditions pertaining to the ferro-alloy industry in Europe. This investigation was made by a well-known European consulting engineer of the highest standing, who has probably designed more plants for the production of electric-furnace products than any other individual. He has designed, built, and operated plants in Norway, Austria, and elsewhere in Europe and is entirely familiar with European conditions. His report shows that an experienced electric-furnace man in European works receives \$370 per year as wages, whereas in the United States we pay the same type of workman \$960 per year. Our process is continuous and our furnace men work eight-hour shifts, whereas some European works operate on the 12-hour basis. Comparing the labor cost in Europe, as shown by this European engineer's report, with our actual labor costs, shows that the labor cost per ton of ferrosilicon produced in the United States is approximately two and six-tenths times as much per ton as the labor cost in the European works. It should not be overlooked that wages of labor in Austria (Bosnia) and in Norway is lower than in Germany, France, and England, where diversified manufacturing is carried on so largely. Incidentally, the works in Norway and Austria producing electrochemical products and ferro-alloys are largely owned by German, French, and English capital.

Relative to the cost of electric power in Europe, this same consulting engineer's report shows that such power can be obtained in large blocks for \$8 per electric horsepower per year and in some cases for less. Other sources of information state that such power is obtainable as low as \$5. On the other hand, the present price of electric power at Niagara Falls to large users is \$16 to \$18 per electric horsepower per year and this price shows a tendency to increase, due to treaty and congressional restrictions relative to diversion of water for power purposes. Since it is well known that one electric horsepower operating continuously throughout one entire year is required to produce one ton of ferrosilicon of the grade ordinarily used, it follows that the power cost of this product in the United States exceeds the power cost in Europe by \$8 to \$10 per ton. This higher cost of power alone is in excess of the 15 per cent ad valorem provided in the House bill. In other words, to offset the higher cost in the United States of labor and electric power alone an ad valorem duty of at least 30 per cent is required.

It should be remembered that Norway has practically no home market and therefore may establish very low prices there in order to obtain a lower valuation for duty purposes in entering their product into the United States. Consequently the rate of duty to be imposed should be high enough to guard against this contingency.

The effect of this company entering this field in 1906 and endeavoring to establish this new industry in the United States upon the selling prices of 50 per cent ferro-

silicon (the grade ordinarily used) in this country is graphically shown by the following figures which show the average selling prices which have prevailed each year since, viz:

	Per ton.
1907.....	\$100.84
1908.....	83.40
1909.....	64.14
1910.....	63.72
1911.....	55.67

The selling prices of ferrochrome have also gradually declined during this period and it is now being sold at substantially the cost of labor, power and materials, due to the competition from abroad and the efforts of the Europeans to dump their surplus into this country.

The CHAIRMAN. There are present a number of representatives of the employees of some of these industries. I will ask Senator Oliver to introduce them in their order.

Senator OLIVER. Mr. Chairman, Mr. John Williams, the president of the Amalgamated Association of Iron and Steel Workers, is here, with some of the other officers of his association, and also representatives of the workmen in one or two of the different plants. Mr. Williams will name them in order. He will begin himself.

The CHAIRMAN. If you will proceed, Mr. Williams, the committee will be glad to hear you.

STATEMENT OF MR. JOHN WILLIAMS, OF PITTSBURGH, PA., REPRESENTING THE AMALGAMATED ASSOCIATION OF IRON AND STEEL WORKERS.

The CHAIRMAN. Will you state your full name to the committee, Mr. Williams?

Mr. WILLIAMS. John Williams.

The CHAIRMAN. Where do you reside?

Mr. WILLIAMS. Pittsburgh.

The CHAIRMAN. Whom do you represent?

Mr. WILLIAMS. I represent the Amalgamated Association of Iron and Steel and Tin Workers.

The CHAIRMAN. Are you one of the officers of the organization?

Mr. WILLIAMS. I am the president of the organization.

The CHAIRMAN. You may proceed.

Mr. WILLIAMS. Mr. Chairman and gentlemen: The particular part of the bill that you are considering, and that I should like to speak on briefly this morning, is that part pertaining to sheet and tin plates and that pertaining to iron and steel bars.

It is hardly necessary for me to tell you that the association I represent has been for a number of years entering into wage agreements with the manufacturers engaged in the making of sheet and tin plate and iron and steel bars. The organization which I represent requested that I appear before this committee in order to protest against the reduction of the duty from 1.2 to 20 per cent ad valorem.

In order that I may make an intelligent presentation, I think it is necessary for the information of the committee, and in fairness to myself, to give a brief history of the tin-plate industry in this country from the time we commenced to make the plate up until the present time. With your permission, Mr. Chairman and gentlemen, I will proceed to do that.

The tin-plate industry, established in the United States through the enactment of the McKinley bill, is a remarkable illustration of the effect of tariff legislation. Notwithstanding the significant fact that the increase in consumption of tin plates for 30 years prior to the enactment of that bill had been unprecedented, and greater than that of any other commodity of iron and steel manufacture, the attempt to successfully establish the industry failed until we succeeded in having a protective tariff imposed on the imported article.

A brief survey of the tariff history in its relation to tin plates, coupled with the attempts prior to the passage of the McKinley law to establish the industry in this country, will enable us to have a more comprehensive view of the effect of tariff legislation as it applies to this particular product.

Congress in 1864 passed a tariff-revision act. In that act we find the following section:

On tin plates or iron galvanized, or coated with any metal by electric batteries or otherwise, two and one-half cents per pound.

The phraseology and punctuation of this section clearly indicate that tin plates, as well as galvanized iron, or coated with any metal, etc., must pay a duty of two and one-half cents per pound. But the Hon. W. P. Fessenden, who was then Secretary of the Treasury Department, in a letter addressed to Hiram Barney, collector at the port of New York, rendered a somewhat remarkable construction on the meaning of the section.

A copy of the letter reads as follows:

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C., July 22, 1864.

HIRAM BARNEY, Esq.,
Collector, New York.

SIR: Your letter of the 12th instant is received requesting to be instructed, in writing, in relation to the proper construction of the language of the second paragraph on the ninth page of the printed tariff of June 30, 1864, viz, "on tin plates, and iron galvanized or coated with any metal by electric batteries or otherwise, 2½ cents per pound."

It would appear that an error of punctuation has been made by some one, most probably by the clerk who engrossed that part of the act. If the comma which is inserted after the word "plates" be omitted, and a comma placed after the word "iron," the true sense will be had, which unquestionably is that the tin plates, as well as the iron, must be galvanized or coated with any metal by electric batteries or otherwise in order to bring them within this provision.

I am able, from the part which I took personally in the framing of this provision, to speak with confidence as to the intent of it, and have no hesitation in saying that it was not contemplated by Congress to make any addition to the rate of duty prescribed by previous tariff acts on ordinary tin plates.

I am, very respectfully,

W. P. FESSENDEN,
Secretary of the Treasury.

It is quite evident that the Secretary did not possess much practical knowledge as to what constituted tin plates; for permitting the comma to remain after the word "tin plates" made the section intelligible, but the Secretary, by removing the comma, made its meaning absolutely unintelligible. He then applied to tin plates another section of the tariff act, which reads as follows:

Tin in sheets or plates, tinned and taggers tin, twenty-five per centum ad valorem.

Here we have it very plain that the Secretary believed that tin plates were made of pure tin, and that he had no conception whatever that tin plates were sheets of iron coated with tin. It is not

impossible that the framers of the tariff act of 1864, and Congress itself, must also have been laboring under a misconception as to what constituted tin plate, as the terms "tin in sheets" clearly conveys the idea that the impression then prevailing was that the sheets or plates were made of tin only, and consequently that tin plates were a tin product, and not sheets of iron or steel coated with tin.

Thus we find that from the very commencement of tariff legislation affecting tin and terne plates this singular misconception of what constituted tin plates has existed.

Senator HEYBURN. Was there ever a time when articles for use were made of block tin?

Mr. WILLIAMS. No, sir.

Senator HEYBURN. I remember in my earlier life hearing the expression: "Now, that is genuine block tin." Does that mean anything?

Mr. WILLIAMS. No, sir; absolutely not. It would be absolutely impossible to manufacture the articles out of block tin and find purchasers for them.

Senator HEYBURN. They never did make any articles out of block tin?

Mr. WILLIAMS. No; absolutely none.

Mr. Fessenden's decision aroused no antagonism, as at that time no attempt of any kind had been made to manufacture tin plate in this country, nor have we any information that would indicate the remotest interest on the part of any of our people in the subject. The earliest information we have of interest being taken in the manufacture of tin plates was in 1868, when the Cambria Iron Co., of Johnstown, Pa., sent an experienced metallurgist and iron-mill man to Europe to investigate the process of making tin plates. About the same time, yet without any knowledge between the parties, James Park, jr., of Pittsburgh, for the same purpose, also sent a man abroad.

After visiting several tin-plate works in England, Wales, Germany, and France these gentlemen returned and reported that while this country possessed facilities equal, and in some respects superior, to any of those they had visited, it would be impossible to establish the tin-plate industry in this country, paying the wages ruling here, and compete with European countries without adequate protection by the United States.

In 1864 coke tin plates sold in London at 26s. 4d. per box. Hence the duty of 25 per cent ad valorem afforded a protection of only \$1.60 a box. The prices remained practically stationary until 1870, in which year the highest price quoted for coke grades was 26s.

In 1871 prices began to advance rapidly. The high prices that had prevailed for tin plates and the steady advances then taking place impressed a few workmen who had been employed in the tin-plate business in Wales, and who could not understand why tin plates were not made in this country, with the idea that it would be a very good plan on their part to quietly start the manufacture of plates in this country. These workmen did not attempt to build works, but bought sheet iron, which they arranged to have pickled, cold rolled, and cleaned. They constructed a small plant, in which they put the plate through the tinning process. This was in the city of Pittsburgh. Operations were started in October, 1871. But one tinning set was erected. Consequently operations were on a small scale only. The

venture was a success in every way. Shortly after this a company was formed and works erected at Wellsville, Ohio, for making black plate on what is termed "tin style." At the time the Wellsville works was being built and about completed Mr. Rogers, a practical tin-mill manager from England, with a few other parties, projected a tin-plate works at Leechburg, Pa. In the meantime the Wellsville works were completed and put into operation. The start was eminently successful. The plates turned out were of excellent quality and finish. This result was natural, as the workmen employed were nearly all practical tin-plate workers from Wales.

In 1872 the duty on tin plates was reduced to 15 per cent ad valorem, but the prices of imported plate kept steadily advancing. Prices of coke tin in that year in Liverpool reached the high figure of 40s. per box. In January, 1873, the quotation of tin plates in the New York Iron Age were as follows:

	Sheets.	Per box.
Prime charcoal, 14 by 20	112	\$14.75
Coke, best quality, 14 by 20	112	14.50
Coke, second quality, 14 by 20	112	13.00
Coke, ordinary quality, 14 by 20	112	12.00
Each additional X		2.25

In the spring of 1873 the works at Leechburg were completed and put into operation. Here, again, the enterprise was successful, the plates turned out being in every respect equal in quality and finish to the imported plates. During this year the works at Demmler, Pa., near Pittsburgh, known as the United States Iron & Tin Plate Manufacturing Co., were projected, and the building of the works was soon under way. Early in the fall of 1874 the works were completed and in operation making plates. The start of these works again was eminently successful, the product being first class in every respect. These works, after having overcome the trouble incident to the starting of a new industry, ran prosperously, the prices ruling giving the manufacturers a good margin in profits, owing to the very high prices at which imported plates were selling in the American market.

The plates turned out by the American manufacturers were received very favorably by the American consumers, and the prospects for the future success of the new-born industry seemed bright and fair. But it did not last long. The British manufacturers and their allies in this country, becoming aware that their interests were being jeopardized if they allowed the pioneers of tin-plate making to apply their vocation without molestation, started a policy of extermination. The tactics adopted were to rapidly reduce prices. By the time the Demmler works were fairly in operation, plates had fallen in price nearly \$3 a box. But even with this reduction there was a good margin in the profits left to the American manufacturers, and they had hopes that the enterprise would still prove a success. But prices kept steadily dropping, and the manufacturers had no other recourse but to appeal to Congress for relief. Their petition, however, was in vain; for the only thing Congress did in the tariff amendment act in 1875 was to change the duty on imported tin plates from 15 per cent ad valorem to a specific duty of 1.1 cents per pound. The 1.1 cents per pound was simply the equivalent of the ad valorem duty

on the foreign prices on tin plates then prevailing. In the meantime the Wellsville works had unfortunately discontinued operations, through the downward movement of prices forced by the British manufacturers. The Leechburg firm also ceased operations.

The Demmler concern, however, still persevered, but eventually had to cease making plates, owing to the rapid reduction in prices caused by the war of extermination.

Shortly after the Demmler concern ceased operation the prices of tin plates began to rise, and in the fall of 1879 the Demmler concern again put their plant in operation. But no sooner were they fairly under way than prices began to fall again, after which prices never resumed a point at which the Demmler concern could resume operations. After the failure of the Demmler concern in 1879 no further attempt was made on the part of that or any other firm to make plates in this country until after the passage of the McKinley law on October 1, 1890.

The McKinley act became a law on October 1, 1890. It will be perceived by examining its provisions that the tin-plate clause did not become operative until July 1, 1891. The object in thus deferring the time in which the tin-plate clause should go into effect was for the purpose of giving persons who desired to go into the business of producing plates time to make the necessary arrangements to commence the manufacture of the commodity.

In the meantime there had arisen several unfortunate circumstances affecting the successful establishment of the industry. In the November election following the passage of the McKinley act the complexion of the House of Representatives was changed. This change had anything but an inspiring effect on those contemplating going into the business of tin-plate manufacturing.

The effect of the elections on the British manufacturers was entirely different. They were so encouraged that their energy for aggressive work in taking advantage of the situation in this country was in every way increased. They had already advanced prices of tin and terne plates to a point 30 per cent beyond the average price of 1889. In addition to this, they availed themselves of every possible means of increasing the production by operating their works day and night with their fullest capacity, and shipping to this country every available pound of tin and terne plates they could command, for the purpose of flooding the American market.

The quantity of British tin plate imported into the United States during the fiscal year ending June 30, 1891, was 1,036,489,074 pounds. For the preceding year ending June 30, 1890, the quantity of British tin plate imported was 680,006,095 pounds.

The growth of the industry at the start was naturally slow, the production of the first three months under the McKinley law being 826,922 pounds. The industry, however, steadily gained, so that the production for the first year reached 13,646,719 pounds. From this time the industry was an established fact.

An examination of the foregoing will show that from 1872 to 1878 the duty was 15 per cent ad valorem. During this period, while it had been proven beyond cavil that tin plates could be manufactured successfully in the United States, it was impossible to establish the industry under those conditions.

From 1879 to 1891 the duty was 1 cent per pound. After the failure of the United States Iron & Tin Plate Manufacturing Co., located in Demmler, in the year 1879 to resume making tin plates, no further attempt was made on the part of that or any other firm to make plates in this country until the passage of the McKinley law on October 1, 1890.

After the passage of the McKinley bill, which became operative July 1, 1891, the growth of the tin-plate business in this country was slow. Fostered, however, in its infancy by a protective tariff, it has grown in proportions sufficiently to supply an amount much in excess of the need of the domestic market, and as a result many of the best producing plants are idle, and the men unemployed—a condition that exists when business is normal, thus proving there is a necessity for taking every possible step to expand the opportunities of increased employment rather than to decrease the number of men employed.

While the supply is largely in excess of the consuming power of the country, under the drawback feature of the tariff laws 1,374,994,406 pounds of tin plate were imported from 1899 to 1908. Of this amount, 105,712,287 pounds were consumed in the United States, the remainder being made into finished receptacles for the export trade.

In October, 1894, the duty was again changed through the enactment of the Wilson-Gorman law, which went into effect in October of that year, and which caused a wage dispute which kept the American mills closed from the latter part of October until the latter part of January, 1895, when the men were put to work at greatly reduced prices.

In the fall and winter of 1899 it was found necessary to shut down a great many mills on account of lack of business. In the summer of 1900 there was a shutdown for three months, in spite of which it was necessary to shut down mills on account of lack of business in the winter of that year.

In 1899–1900 the producing capacity had been decreased rather than increased, which fact adds to the significance of these enforced shutdowns.

The foregoing shows that through the enactment of the McKinley bill the tin-plate industry had been firmly established, but the volume of domestic business was not sufficient to keep the mills in steady operation.

The establishment of this industry under a reasonable tariff has not increased the cost to the domestic consumer, but has unquestionably reduced the price. From 1872 to 1878, under a duty of 15 per cent ad valorem, the average price to the American consumer was \$7.30 per box; from 1879 to 1891, under a duty of 1 cent per pound, \$4.81; under a duty of 1.5 cents, \$3.48, and under a duty of 1.2 cents \$3.38.

Senator WILLIAMS. Right in that connection, can you give us the rate of reduction for the same product in England during the same years for the English consumer?

Mr. WILLIAMS. I do not know that I can do it just now, but I believe I can get you the figures.

Senator WILLIAMS. I wish you would get the figures and insert them right after that.

Mr. WILLIAMS. Yes, sir.

Aside from lowering the cost to the American consumer, another important item that should be given careful consideration in fixing the duty on sheet and tin plates is the item of labor cost.

The entire tin-plate industry of this country now employs about 25,000 hands and produces about 800,000 tons, or 16,000,000 boxes, valued at \$52,000,000. Of this amount 60 per cent, or \$27,750,000, is paid direct to the workmen making tin plate alone.

A reduction in duty which permitted free entry of imported plates would result in a conflict between capital and labor, and the wholesale closing down of plants engaged in the manufacture of sheet and tin plates. This condition is assured from the statements that have already been made by the representatives of those engaged in the manufacture of these products who have already stated that if the contemplated schedule goes into effect the only way they can operate their plants is by reducing labor. Labor feels that it can not stand any reduction in wages, and the enactment into law of the provision as it now stands simply means that the wage struggle will be inevitable.

The high earning power of those employed in the manufacture of tin plates have been greatly exaggerated. Statistics issued by the Pennsylvania State department give a yearly average of \$700.74. Taking this as a criterion, and dividing this amount by 250 working days, would give an average of \$2.80 per day for each day actually employed. Not more than 4 per cent of the number of those employed in the industry average \$5 per day or more. It is my opinion that a fair average wage would range from \$3 to \$3.25 per day.

As we have men present who are actually engaged in the making of tin plate, and who expect to make a statement on the wage rate received, it will be unnecessary for me to go into further details other than to call your attention particularly to the lower foreign labor cost, which is about one-half the rate paid in the United States. This can be easily verified by a comparison of the wage scale paid in Great Britain with the schedule of wages paid in the United States, which can be found in a statement submitted before the Ways and Means Committee of the Sixtieth Congress, volume 2, page 1934, of Schedule C.

The same approximate differential in labor cost is existent in sheet mills in Great Britain, compared with the labor cost in the United States.

I should like now to touch briefly on the bar iron and steel schedule.

The CHAIRMAN. Before you touch on that, Mr. Williams, I should like to ask you whether you know anything about the scale of wages and the conditions of labor in Wales, in the tin-plate industry, as compared to this country?

Mr. WILLIAMS. Yes, sir. I believe if the committee will look up the hearings of the Ways and Means Committee in the Sixtieth Congress they will find a scale of prices contained in that book which gives the actual wage rate that is paid in Wales to-day. If you want a verbal statement, Mr. Chairman, I believe I can say that the wages in Wales are about one-half the amount that is paid in this country. Or, in other words, I believe that we earn 100 per cent more here than they do on the other side.

The CHAIRMAN. Go on, Mr. Williams.

Mr. WILLIAMS. Under the subject of bar iron and steel, the same consideration should be given to the differential in wages paid in this country and Europe. This is particularly true with reference to the production of iron bars. The average price paid for puddling in Great Britain is \$2.33 per ton, while the present price in the United States, as per sliding-scale schedule fixed by the amalgamated association, is \$5.50 per ton. It is fair to assume that there is substantially the same proportion of difference in all other classes of labor.

The introduction of improved machinery and methods in the manufacture of steel, which machinery and methods are not applicable to the manufacture of iron, has served to reduce the selling price of both. Any reduction of the duty that will permit the importation of any quantity of either steel or iron bars will of necessity affect the wages of those engaged in the iron industry.

In comparing the duty on iron bars with that on steel bars it should be remembered that the former carry a much higher labor cost, as steel bars are rolled with automatic mechanism, while iron bars are still produced by the same method that has always prevailed.

Senator HEYBURN. I should like to recur to the decision of Secretary Fessenden, which you seem to think was in error, or, rather, in misapprehension of conditions. I am quoting from the Century Dictionary, and I will say in passing that if you will refer to the subject in the Encyclopedia Britannica, published just a short time before that decision, you will find that the use of tin for making articles of household use, without being connected with iron, was then an industry. I find that in the classification of tin articles they are separately stated: First, articles made of tin; then articles made of tin plate. So I think it must be true. My personal recollection, and doubtless that of many present, relates to the pride that certain housekeepers used to take in certain articles which were said to be made of pure tin or block tin. It now appears that that was recognized.

You will find on page 6344 of the Century Dictionary, last edition, under the third subdivision, that it says:

A pot, pan, or other utensil made of tin, or of iron covered with tin.

That would seem to recognize that some articles were made of tin. That is repeated again under subdivision 2 of the definition. I merely call your attention to it. Secretary Fessenden evidently referred to that class of manufacture when he rendered that decision. So it would not seem to be entirely absurd, but merely a misconception as to the practical application of it.

I merely call attention to that in fairness to the Secretary who rendered the opinion which you have read.

Mr. WILLIAMS. Yes, sir.

Senator WILLIAMS. I understood you a moment ago to say that while the cost of production of steel had decreased the cost of production of iron had not?

Mr. WILLIAMS. No, Senator; the same methods are used to-day in the production of iron as were used 50 years ago.

Senator WILLIAMS. But you say the cost of production of steel in the meanwhile has gone down?

Mr. WILLIAMS. Yes; on account of the fact that steel bars are largely manufactured by automatic machinery, while in the production of iron they use the same methods that were used 50 years ago.

Senator WILLIAMS. I asked you that question because a very distinguished gentleman who appeared before the committee, Mr. Schwab, stated very positively that the cost of production of steel had increased from 1898 down to the present time. You do not agree with him, then?

Mr. WILLIAMS. I do not agree with that, no; because the manufacture of steel bars to-day is largely done with automatic machinery, while iron bars are made in exactly the same way that they were made 50 years ago.

Senator WILLIAMS. I agree with you. I simply wanted to bring out the testimony.

Senator HEYBURN. I think it will be useful to let the record show the exports and imports in 1907 of sheet, plates, and taggers iron and steel. In 1907 we exported 66,348,460 pounds, worth \$2,060,427. But we exported 14,000,000 pounds of this to Mexico, 9,000,000 to Canada, 8,000,000 to Cuba (I am giving only the round figures), 7,000,000 to Japan, 5,000,000 to Panama, 3,000,000 to the Chinese Empire, and none of it to the tin-plate producing countries of Europe.

That is merely for the purpose of showing that prior to that act we did not and could not compete with the tin-plate producing countries of Europe, but only with outlying countries.

Mr. WILLIAMS. We did compete in one of the neutral markets.

Senator HEYBURN. That was when we exported steel sheets and plates. I am not going into that, because we have already passed steel sheets and plates. I am referring only to tin.

Senator WILLIAMS. I think I put in the record the other day the statistics as to steel sheets and plates.

Senator HEYBURN. Yes. That follows the item.

Senator SIMMONS. Senator, did you give the total exportations of tin?

Senator HEYBURN. I did not give the odd figures. I gave the round figures. The total export was, as I read, 66,348,460 pounds; and then I gave the detail as to the countries to which we exported it.

Senator WILLIAMS. And the value was what?

Senator HEYBURN. The value was \$2,060,427. It sounds big in pounds—much larger than it does in dollars. I have here the figures in regard to steel sheets and plates; but Senator Williams has already put those in the record at another place.

The CHAIRMAN. If you want to introduce your people in their order, the committee will be glad to hear them.

Mr. WILLIAMS. Mr. Chairman, I take pleasure in presenting now the vice president of the sheet and tin plate division of our organization, Mr. Walter Larkin.

STATEMENT OF MR. WALTER LARKIN, OF MARTIN'S FERRY, OHIO, REPRESENTING THE AMALGAMATED ASSOCIATION OF IRON AND STEEL WORKERS.

The CHAIRMAN. Where do you reside, Mr. Larkin?

Mr. LARKIN. At Martins Ferry, Ohio.

The CHAIRMAN. You are vice president of the Amalgamated Association of Iron and Steel Workers?

Mr. LARKIN. Of the sheet and tin plate division.

The CHAIRMAN. Will you proceed and state your views to the committee?

Mr. LARKIN. Mr. Chairman and gentlemen, Mr. Williams and I have compiled, largely, the brief from which he has just read. But there were some questions asked by gentlemen on this side in regard to prices. I have the differential prices on both sides of the water, from 1880 to 1910.

We find that in 1880 tin plate was selling at \$6.75 a box. Probably this is the information that the gentleman wanted. The prices quoted by the people on the other side were quoted until 1895. Then, with the American mills making tin plate and practically making what could be consumed here, the American prices followed suit.

I am the vice president of the sheet and tin division of the Amalgamated Association of Iron and Steel Workers; and as the Underwood bill has passed the House, our people desire to protest against its enactment, and send petitions to their Representatives to that effect.

In 1909 the plate imported into this country was about 117,000,000, in round figures, worth three million odd dollars, based on 100-pound plates, which would make the imported plate worth \$2.75. A reduction in the duty to 20 per cent ad valorem would enable the consumers at the coast to import plate cheaper than we could make it.

The people that are in the industry of making tin plates to-day—that is, the working men—have known in the past that a reduction in the duty on tin plate has resulted in a reduction of wages to them. Even when the tariff has been restored, it was a hard thing to get wages put back. In 1895, after the Wilson-Gorman bill was passed, our people had to accept reductions of 12½ and 15 per cent, or an average of about 14½ per cent reduction in wages. In 1897, after the tariff had been restored by the Dingley bill, our people received an increase in wages of about 8½ per cent. Knowing what would result from a reduction in the tariff on tin plate, in view of the number of mills we have in operation here to-day, these men will either have to suffer a reduction or there will be a strike.

Senator JOHNSON. There was a reduction in the Payne bill, was there not, from the rate of the Dingley tariff? The Dingley tariff was 1.5 cents a pound, and in the Payne bill it was 1.2?

Mr. LARKIN. 1.2; yes, sir.

Senator JOHNSON. Was there a reduction in wages, then?

Mr. LARKIN. There was a reduction in the tariff.

Senator JOHNSON. Was there a reduction in wages?

Mr. LARKIN. Not in wages. The reason of that, practically, was that the manufacturers made the recommendation themselves. They stated that, with the improved furnaces and improved conditions for manufacturing steel bars, and the cheap cost of the bars at the time, they could afford to pay the same wages as theretofore, and could stand a reduction from 1.5 to 1.2.

Senator HEYBURN. Those were the ones whose plants were already constructed and in operation?

Mr. LARKIN. Yes, sir.

Senator HEYBURN. But if other parties had desired to start in that business, and construct new works, and initiate new plants, they could not have done it upon the same terms or with equal facilities as those already established in business?

Mr. LARKIN. No, sir; they could not. If you will refer to the tariff hearings of 1909, when Mr. Follasbee, I believe, was before the committee, you will find he made the statement that while he was making tin plate, he recommended a reduction in duty at that time.

Senator HEYBURN. But he did not take into consideration the effect the tariff would have, or the conditions it would impose, on persons who desired to enter anew into the business.

Mr. LARKIN. No, sir; I do not think he took that into consideration.

Senator HEYBURN. He only spoke upon the basis of those who were already established. He did the same thing the other day.

Senator JOHNSON. Mr. Follasbee said the other day that a reduction to 1 cent a pound would afford sufficient protection so that the scale of wages now paid could be maintained.

Mr. LARKIN. The workingmen, from their standpoint, know that when they have had a reduction in wages through a reduction in the tariff they have never gotten back to where they were prior to that time. They believe that with the present conditions in the sheet and tin mills to-day, if they can keep the tariff at its present mark, there is always a better opportunity for them to get a little better wages. But if we get down to a minimum tariff, the manufacturers and operators of the plants could say: "We continued to pay you the same wages when the tariff was reduced from 1.5 to 1.2; we are going to continue to pay you the same wages from 1.2 down to 1 cent"; but there is no opportunity for the men to get the wages that they got back in 1892, 1893, and 1894. That is what the workmen want to be able to look forward to—something a little bit better than they have now.

Senator WILLIAMS. This industry has enjoyed protection now for 21 years, has it not?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. And it is still not able to stand on its own feet in competition with foreign producers, according to your testimony. Have you any reason to believe that it ever could stand on its own feet in competition with foreign producers?

Mr. LARKIN. I think not.

Senator WILLIAMS. So that, so far as the Nation is concerned, taking it by and large, it will either have to cease this industry or else it will have to be supported by a continuous and continual and everlasting tax?

Senator McCUMBER. Or the laborer's wages will have to be reduced to the wages in the foreign mills.

Mr. LARKIN. The same wages, practically.

Senator WILLIAMS. They can not reduce the wages, can they? The laboring men are not going to permit them to reduce those wages, are they? The laboring men are getting no more than they deserve right now, are they?

Mr. LARKIN. They are not.

Senator WILLIAMS. They are living on as small a wage as they can live on right now?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. And they are not going to permit a reduction?

Mr. LARKIN. I will answer that in this way: In 1894-95, the winter when the Wilson bill went into effect, while we resisted the reduction

the men were idle for five months; and after going through a hard winter, with the business people kicking because they could not continue to carry the people over on their backs——

Senator WILLIAMS. But in 1893 and 1894 and 1895, the years you are talking about, the whole world was going through a panic, was it not?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. I am not talking now about panic conditions. I am talking about normal conditions, whatever they may be.

Mr. LARKIN. But we will go to 1894 and 1895.

Senator WILLIAMS. In other words, would not the laboring man rather let the industry cease to exist than to permit that particular element of labor to be reduced to a scale that would have the effect of reducing other labor?

Mr. LARKIN. I want to say that we people, under good conditions, have just come out of a 17-months' strike against a reduction of wages; and while we do not want to submit, necessity at times compels the men to go back into the mills.

Senator SMOOT. If you closed up all the tin manufactories of this country and threw out of employment all of the workers that are working in the tin mills to-day, would it not have the effect of reducing the wage of other men that are employed in other industries?

Mr. LARKIN. Oh, yes.

Senator SMOOT. And is it possible to pay twice the wages in this country and still to manufacture tin at the same price at which it is manufactured in Wales?

Mr. LARKIN. The gentleman asked a while ago about the prices on the other side; and I have the scale of their prices from one end to the other on both sheet and tin. I can leave that with you.

Senator SMOOT. You have worked in a tin mill, have you not?

Mr. LARKIN. Yes, sir.

Senator SMOOT. You know enough about the production of tin in this country to know that tin can not be made in this country as cheaply as it can be made in Wales, do you not?

Mr. LARKIN. It can not.

Senator SMOOT. And that is on account of the fact that the wages are higher in this country than they are in Wales?

Mr. LARKIN. And it takes more men in a crew in this country. That is the reason for a great deal of it. While they work with about five men to a position over there, we have got eight.

Senator SMOOT. And there is no other way than by a tariff tax to make up that difference between the wages, is there?

Mr. LARKIN. A tariff that under the present prices will protect the American manufacturer so that he will not have to cut his prices to meet the prices coming from the other side.

Senator WILLIAMS. In other words, if the business here is to be made profitable at all, it must be made profitable by a continual tax upon the American consumer?

Mr. LARKIN. Yes.

Senator WILLIAMS. A moment ago you said that five men in Wales did the same work that eight did here in connection with certain work. That is such a peculiar exception to the general rule that I should like to have you explain to the committee why that is true.

Mr. LARKIN. The construction of the plants there is different. The people there go slower in their work than we do. We have reached such a stage that when a man goes in there two men work on each job; and after one works 15 minutes, the other one comes on. It is hot work, especially in the summer time, and a man can not stand it by himself in this country. In regard to the production on each mill, we make about one-third more than they do in a day's work. They are not so progressive or pushing as we are. They do not push to put out the full capacity of the mills. They just work by themselves; they take their time.

Senator WILLIAMS. Perhaps I misunderstood you. I understood you a moment ago to say that five men in Wales did the same work that eight men do here.

Mr. LARKIN. But they do not turn out the same production of the capacity of the mill.

Senator WILLIAMS. Ah! They do not turn out the same product?

Mr. LARKIN. No.

Senator WILLIAMS. What you meant was that five men were employed in the same process where we employ eight?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. But you did not mean that those five men turned out what eight men turned out here?

Mr. LARKIN. No, sir.

Senator WILLIAMS. I thought that was an exception to the general rule.

Senator SMOOT. Your statement was that the eight men turned out at least a third more than the five men turned out in Wales?

Mr. LARKIN. On the other side; yes, sir.

Senator McCUMBER. You stated, in answer to a question from Senator Williams, that even if there was a reduction your organization would hold the prices as they are now; in other words, that you would not consent to a reduction of prices. Suppose we reduced the tariff to such an extent that the manufacturers could not make expenses upon a 1-cent basis and the mills should close. Would you have anything to say, then, about what the prices would be?

Mr. LARKIN. I believe you misunderstood the answer as I gave it to the question the gentleman asked me.

Senator McCUMBER. Give it again, please.

Mr. LARKIN. He asked if we would submit to a reduction.

Senator McCUMBER. Yes.

Mr. LARKIN. And he stated that he did not think the men should submit to it; that the labor in this country was low enough down now.

Senator McCUMBER. Yes.

Mr. LARKIN. I answered it in this way: The reason they had to submit on every strike we have been in was because the last one was 17 months in duration and the one before that was 5 months, and the business people refused to carry them on their books and they had to submit and would have to every time.

Senator McCUMBER. You have always got to submit to such a scale of wages as will allow the manufacturer to make a reasonable return on his investment?

Mr. LARKIN. If you are going to stay in the business, it will have to be done.

Senator McCUMBER. That has to be the ultimate result?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. There is something I did not catch. Do I understand that there have been several reductions of wages in the industry during this period?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. And notwithstanding your strikes you have been compelled to accept the reduction?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. And notwithstanding the protection that existed for the industry under the McKinley and Dingley bills?

Mr. LARKIN. Under those bills we received increases; our wages were increased.

Senator WILLIAMS. Have your increases gone back to their original scale?

Mr. LARKIN. Practically; yes, sir.

Senator WILLIAMS. So that during the time you have been reduced, but you have gotten back?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. Is that a practical statement of it?

Mr. LARKIN. But, as was said before, tin plate can be made cheaper on the other side of the water. Take block tin, the pure tin; this country has to depend upon other countries to get it, and it has been selling for 17 cents a pound, I believe. The selling price this week is about 42 cents per pound.

Senator WILLIAMS. And we do not produce it?

Mr. LARKIN. We do not.

Senator WILLIAMS. So that a part of our extra cost is due to the necessity of importing this stuff?

Mr. LARKIN. Yes; and block tin is controlled by a syndicate in England.

Senator WILLIAMS. So we have got to tax the consumer, not only to make up for the additional wages, but to make up for the cost of importing something we do not produce?

Mr. LARKIN. Yes. When those things have been taken into consideration at different times, the workingmen of this country, knowing the increased cost to the manufacturer, have had to submit to a reduction of wages to maintain the business.

Senator JOHNSON. When was the 17 months' strike of which you spoke?

Mr. LARKIN. In 1909.

Senator JOHNSON. When was the strike before that?

Mr. LARKIN. In the winter of 1894-95.

Senator JOHNSON. The one in 1909 was under the Dingley bill, was it not?

Mr. LARKIN. Yes, sir.

Senator JOHNSON. You struck under the Dingley bill, and you had to consent to a reduction of wages?

Mr. LARKIN. No; we got an increase of wages.

Senator JOHNSON. You got an increase of wages after that strike?

Mr. LARKIN. Our people declared the strike off, but wages were increased.

Senator SIMMONS. In the first part of your statement I understood you to say that since we began to manufacture tin in this country,

the price of tin had fallen; that is, that we were getting tin now cheaper than we did.

Mr. LARKIN. Yes, sir.

Senator SIMMONS. I understood you to rather intimate—or, at least, the impression made upon my mind was that you meant to say—that the decline in the price of tin in this country was the result of our entering into the manufacture of tin?

Mr. LARKIN. Yes, sir.

Senator SIMMONS. I want to ask you now with reference to prices in England. When we began to manufacture tin, I understood you to say that English made sheets were selling in this country at \$6.75?

Mr. LARKIN. \$6.75.

Senator SIMMONS. And they are now selling at what?

Mr. LARKIN. \$3.40.

Senator SIMMONS. Now I want to ask you if the price of tin has not fallen in England just as much as it has fallen here?

Mr. LARKIN. Oh, yes. I think it was about 26 shillings at the time the McKinley bill was enacted, in 1891.

Senator SIMMONS. Tin is not selling on the English market for much more than half the price it was selling for at the time you speak of? There has been a fall in the price of tin, not only here but in England and all over the world?

Mr. LARKIN. Yes.

Senator SMOOT. Brought about, no doubt, by the manufacturing of tin in this country?

Senator SIMMONS. Do you mean to say that the reduction of the price in England from \$6.75 to \$3 and something has been the result of the establishment of the tin industry in this country?

Mr. LARKIN. Yes.

Senator SIMMONS. Absolutely?

Mr. LARKIN. I mean the reduction of it. You understand, at that time they did not use steel for tin plates.

Senator SIMMONS. Now, we will get at it.

Mr. LARKIN. Steel was just coming in under the McKinley bill, and when they started making steel plates under the open-hearth process they had 10-ton processes and a large number of men, and scrap was added; but to-day they have processes by which they will make 100 tons with an electric-charging machine, and they had an electric machine for stripping the ingots, and all this improved machinery has brought the cost down, and the American manufacturer has invested his money in all of the latest appliances for the manufacture of it; so that you can see that they have reduced the price by having open-hearth furnaces and improved appliances.

Senator SIMMONS. They are using those things in England, are they not?

Mr. LARKIN. Only the most modern plants. In many places they are making tin in the same way that they made it in 1640.

Senator SIMMONS. You do not mean to say now that the drop in the price of ingots to less than half what it was is the result of our making tin plate in this country?

Mr. LARKIN. It is the result of the American manufacturer going into the business and bidding to the consumer for that work.

Senator SIMMONS. Do you mean to say that that alone is the cause that?

Mr. LARKIN. That and the improved machinery.

Senator SIMMONS. That is what I thought.

Mr. LARKIN. And the people of Wales are making tin in the same way that they made it 30 or 40 years ago, with the plant and machinery that were built of the style that was in use then. They have never improved.

The American manufacturer, through Mr. Bamfield taking up the tin industry in Irondale in 1891, changed the system of construction of the mills, and we work on one set with chilled rolls, and from the rough bar they can work right down and make the plate on the one set of rolls, and they do not have to pay for the extra cost of turning the other one. Mr. Rawlinson, after the McKinley bill went into effect, built in Gas City mills the same as they were in Wales; but all the mills that went up after 1891 were patterned after this mill of Mr. Bamfield, and to-day all the mills are up to date in this country, much more than over there. Probably there are one or two modern mills to-day over there. There is one, I think, that is working under the American system.

Senator SIMMONS. To what extent does this new machinery that you are speaking of enter as an element into reducing the price of tin?

Mr. LARKIN. You would have to go right through the steel plant, and the blast furnaces, etc., to get at that. It used to take them 24 hours to blow one heat in a blast furnace, and they would probably get 7 tons. To-day, with the improved appliances, blowers, etc., they can turn out three in 12 hours.

Senator SIMMONS. As against how many heats before?

Mr. LARKIN. About one in 24 hours. And it was through machinery and blowing the blast through the ore and coke and limestone to make the pig iron that reduces the cost. The same thing applies in the steel plant. I remember when they started on open-hearth furnaces in this country that the men would have to carry everything into the furnaces. To-day they have an electric machine, and they fix everything outside in the yard, and the electric machine comes and takes hold of that and takes it into the furnace and dumps it; and one man is doing the work that 10 men used to do.

Senator SIMMONS. Ant that has resulted in the reduced cost?

Mr. LARKIN. In part; yes, sir.

Senator SIMMONS. England is a great consumer of tin plate, is she not?

Mr. LARKIN. I believe, in looking at the statistics, in the eighties England made—

Senator SIMMONS. I am not talking about their production, but about their consuming capacity. The English are large consumers of tin plate?

Mr. LARKIN. Yes, sir; they made a certain amount, I think it was one million and some odd hundred thousand hundredweight. They figure it by the hundredweight. There was about 60 per cent of it consumed in the United States—exported to the United States—out of that amount.

Senator SIMMONS. The balance of it was consumed in England, chiefly?

Mr. LARKIN. The people in England do not consume so very much, because its population is not so large, and it could not. You have got to get a market.

Senator SIMMONS. England, Scotland, and Ireland have a population nearly half as large as our population?

Mr. LARKIN. Yes.

Senator SIMMONS. Do you export any of your American tin plate to England?

Mr. LARKIN. Well, no. We send some to China, and some to Australia, and to Mexico, and a little of it into Canada.

Senator SIMMONS. So that you do not compete with the English producer in the English market?

Mr. LARKIN. In the tariff hearings of 1909 we went into that in detail. Mr. Williams and I compiled a brief telling why we could do it. In 1904 the mills produced an amount in excess of the consumption of tin plate in this country. We had mills that would work probably four months of the year and for eight months they would be idle, and to get these idle mills into operation the employees of all the mills throughout the country contributed 3 per cent of their wages, which went into a fund, and we told the American manufacturers to go after this export business and get it if they could, so as to give our people work. They went after it and got it, and when returns were made to try to get these export orders we gave 25 per cent of the wages paid to these people back to the can companies. We gave the American preference over bringing the tin plate from the other side and paying 1.5 and receiving 99 per cent of that back.

Senator SIMMONS. You are talking now about 1894?

Mr. LARKIN. Right up to this week we exported a little.

Senator SIMMONS. How much did you export last year to England?

Mr. LARKIN. I could not give you those figures at all.

Senator SIMMONS. Was it not a purely nominal amount?

Mr. LARKIN. Last year?

Senator SIMMONS. Last year to England.

Mr. LARKIN. I could not give you the exact figures on that, but I see where we had about 93,000,000 pounds imported last year.

Senator SIMMONS. I am not asking about the amount we imported last year; I am talking about the amount we exported last year to England, if any.

Mr. LARKIN. I have not looked that up, and I could not give you any exact figures on that.

Senator SIMMONS. You are not competing in the English market with the English producer, are you?

Mr. LARKIN. No, sir.

Senator SIMMONS. And yet you mean to tell the committee that in the place where you are competing you have reduced the price of tin about \$3?

Mr. LARKIN. Yes, sir; a little over \$3, from 1890 down.

Senator SIMMONS. That is in a market where you do not compete?

Mr. LARKIN. In the market where we have been protected, and they could not come in and sell cheaper.

Senator SMOOT. It is due to local competition, or American competition, that the price was brought down.

Senator McCUMBER. Will you answer a question for me, right along that line, to make your position clear? I have reference to the decline in the market of Great Britain. Prior to the time that we began manufacturing tin in this country our imports were almost wholly from Great Britain, were they not?

Mr. LARKIN. Yes, sir.

Senator McCUMBER. Great Britain then exported about 60 per cent of her entire product to the United States?

Mr. LARKIN. Yes.

Senator McCUMBER. At the time she was exporting 60 per cent of her product to the United States, and when we were importing, the price of tin was what?

Mr. LARKIN. \$14.75. That was in 1872, and Mr. Williams has cited the facts about the starting of a mill at Wellsville, with a 25 per cent ad valorem, and tin plate selling at \$14.75 for prime charcoal and \$15.20 for coke. The people started in and succeeded in making tin plate in 1873 and 1874. The people on the other side began to find out that we were getting a foothold in the industry, and they reduced tin plate \$3 per box, and it was not long before there was a differential of \$9. They put these men out of the business, and tin plate then went back up.

Senator McCUMBER. Yes; but the point I want to get at is this, that after we got to manufacturing it in this country, under a protection that enabled us to compete with a foreign country, up until that time the price of tin had been about what, when we were dependent upon the importer?

Mr. LARKIN. In 1880 the average price was \$6.75. In 1881 it was \$5.45. These are English prices.

Senator McCUMBER. Yes.

Mr. LARKIN. It was \$6.75 up until 1895. We were in the industry in 1890. The first year, in 1891, we made only 999 tons of tin plate. Last year we made about 800,000 tons. I will leave these figures here.

Senator McCUMBER. What I am trying to get at is, What was the price of tin just prior to the time that we were able to successfully compete with the English manufacturer in this country?

Mr. LARKIN. From 1880 to 1891, the minimum price was \$4.30, and the maximum was \$6.35 for those years.

Senator McCUMBER. Then, after 1891 we were rather forced out of business for a while, were we not, or have we been able since that time to compete?

Mr. LARKIN. 1891?

Senator McCUMBER. Yes.

Mr. LARKIN. No; in 1891 we made 999 tons of tin plate. In 1892 we built more mills. If you will remember, Mr. Williams made a statement there that when the McKinley bill went into effect in 1890 the clause pertaining to tin plate did not go into effect until July 1, 1891, and we built mills in this country. That gave time to the importers to fill their warehouses, and they probably imported 100 per cent more tin plate in 1891 than they did in 1890.

Senator SMOOT. The docks at Liverpool were so crowded that they absolutely refused to take any more tin plate on. I happened to be there at the time. The boxes of tin plate were stacked up everywhere.

Senator McCUMBER. Tin plate, when we began to compete, was worth over \$6 per box, was it?

Mr. LARKIN. When we began to get any foothold in the market, or began to drive the market altogether, we still had to import, because we did not have the mills built, and at the time of the Wilson bill, in 1894, that stopped some people from putting money into the industry, because they did not know what the tariff was going to be. As

soon as that passed, the industry built up all over the country. Up until 1894 the other people were making the price in this country, and it was \$4.89. Then in 1895, after the Wilson bill and after the settlement between the men and the manufacturers here, tin plate dropped to \$3.87. We were taking hold of the market. Mills had been built and it was reducing tin plate.

Senator McCUMBER. Since that time tin plate has gone down in price until the price is what, now?

Mr. LARKIN. \$3.40.

Senator McCUMBER. \$3.40. Then when Great Britain had a monopoly of the trade in this country, a complete monopoly, what was the price of tin?

Mr. LARKIN. Mr. Williams gave you that in his brief; it was \$14.75.

Senator McCUMBER. Then it has dropped from \$14.75, when Great Britain had the monopoly and was importing into this country?

Mr. LARKIN. Yes; to \$3.40.

Senator McCUMBER. Down to \$3.40?

Mr. LARKIN. Yes.

Senator McCUMBER. When we are producing 60 per cent ourselves of the tin used in the country?

Mr. LARKIN. To-day?

Senator McCUMBER. Yes?

Mr. LARKIN. We produce more than that.

Senator McCUMBER. What proportion do we produce to-day?

Mr. LARKIN. Probably 95 per cent of it.

Senator McCUMBER. Ninety-five per cent of the entire consumption of the country?

Mr. LARKIN. Yes.

Senator McCUMBER. Then when you took away from Great Britain her market, which amounted to 60 per cent of her profit, it necessarily forced the price down in Great Britain, did it not, on account of the loss of the market?

Mr. LARKIN. At that time, when we took the industry from them, they closed their plants down.

Senator McCUMBER. Yes. So that you may understand me, let me state this. The British manufacturer lost the American market?

Mr. LARKIN. Yes; he lost the American market.

Senator McCUMBER. And losing his American market, of course the effect of that was to overflow his own home market, and to drive the prices down there, in his home market?

Mr. LARKIN. Instead of that, a large number of them—I could not state how many, but I know that Mr. Oliphant and others had a lot of furnaces—came from the other side. He came over to maintain his industry on this side, and built a plant at Gas City, Ind., and others started plants.

Senator McCUMBER. But what I wanted to get at was that this protection had a double effect; it increased the production in this country and thereby forced down the price from \$14 to \$3.40, and at the same time the effect of its operation, by destroying the monopoly of the foreigner in this country, was to also force down the price in the old country?

Mr. LARKIN. Yes.

Senator McCUMBER. So that it had a beneficial effect in making tin cheaper, although it gave us protection in this country?

Mr. LARKIN. It gave us protection here, and the consumer got the benefit.

Senator SIMMONS. Do you believe, if America was not making any tin plate to-day, that tin plate would be selling for \$14 instead of \$3?

Mr. LARKIN. I believe it would.

Senator McCUMBER. You believe it would?

Mr. LARKIN. Yes, sir; and for this reason: While they had probably five or six times as many rolls on that side of the water at that time, they closed down their plants. There was no reduction in wages. This scale has been in effect since 1909. The English people had gotten into Africa. Africa was beginning to be developed. They got into Egypt, and their representatives throughout the world were sending back and saying, "If the tin plate can be made and shipped, here is the market," and it was not more than about three years after they lost the American market until they got everything working again.

Now, if we were not making any tin plate, they have other markets for their tin plate, and they would still have the monopoly and we would still be beggars and have to give them any price they might see fit to ask.

Senator SIMMONS. Tin plate is selling at \$3.50, we will say. Are you making any profit?

Mr. LARKIN. I am not representing the manufacturer.

Senator SIMMONS. Is the manufacture of tin plate at \$3.50 a profitable industry?

Mr. LARKIN. I think Mr. Follansbee answered that on the other proposition. He said that he was making money; and he was asked how much, and he said 10 per cent.

Senator SIMMONS. If you can make tin plate and sell it at a profit at \$4.50, what can England make it and sell it at and make a profit, with the lower wages she has, as you contend?

Mr. LARKIN. I could not say as to that, to take it right through; but on the other bill we figured out the wages on opposite sides, and got a comparison there, and if you will look in the record you will find a brief filed by Mr. Williams and myself. We did not want to burden you gentlemen with the same thing again; it would have been just a reiteration of what we had prepared before, and we thought that the gentlemen here probably understood that, and would know where to get it.

Senator SIMMONS. If your wages are only about half of their wages, and you could make tin plate at a profit at \$3.50, they could make it at a profit at \$2.50, could they?

Mr. LARKIN. No, sir.

Senator SIMMONS. They could make it at a profit at \$3, then?

Mr. LARKIN. I tried to make that clear before. While their cost is not as great as ours, and they do not employ so many men, yet you take the individual, and he is working by himself in some of these positions, he would get as much as one of the men that divides the work up here, and in those positions over there the individual is as well paid as the individual here.

Senator McCUMBER. Do you think they could make it at a profit at \$3 over there?

Mr. LARKIN. They must be making it. I looked in the journal of the steel smelters, and it says in 1909, giving a quotation, it was 11 shillings and 9 pence a box.

Senator SIMMONS. Then you say under present conditions they can make tin in England for \$3 at a profit; and still you say that you believe if we were not manufacturing, in view of the fact that they can make it at a profit for \$3 in England, it would sell for anywhere from three and a half to four times that much?

Mr. LARKIN. Yes, and for this reason: Here is a scale of prices that has been in effect since 1873 or 1874. The cost is the same in those mills as it was in 1874, and we find that they were shipping tin plate in here then. It does not cost them any more now than it did then, and they were then charging \$4.75; and that would give them a profit of 100 per cent. You can see where they got it.

Senator SIMMONS. Do you know of anything in this world that is manufactured on a large scale that can be sold in the world's market at a profit of 300 or 400 per cent?

Mr. LARKIN. I do not know of any profit, but there are lots of investments that pay more than that in this country.

Senator SIMMONS. In the world's market, I said?

Mr. LARKIN. No, not in the world's market. I speak of investments.

Senator SIMMONS. That is what I asked you. Do you know of any industry manufacturing anything of universal consumption the world over which can be manufactured in any country on the basis of 400 per cent profit?

Mr. LARKIN. Not at the present time. I am not connected with, and do not know the inside workings of, any corporation or syndicate.

Senator SIMMONS. Is tin produced anywhere else except in America and in England? Is there any other competitor with England, except America?

Mr. LARKIN. There is a little made in Sweeden and a little in Germany.

Senator SIMMONS. How much in Germany?

Mr. LARKIN. They do not export but very little. Very little comes into this country from Germany.

Senator SIMMONS. They make enough in Germany for their own consumption and send some to this country?

Mr. LARKIN. I could not tell you whether or not they have enough mills to make enough for their own consumption, or whether England is shipping in there. England is shipping and supplying the world's markets. That was before we had a protective tariff here.

Senator SIMMONS. Germany could make more if she had a market for it; is that what you mean?

Mr. LARKIN. Probably; and probably they could get it made cheaper in England than they could make it themselves because of her mines.

Senator SIMMONS. Have they not ore mines in Germany?

Mr. LARKIN. They have some, but they have to send to Spain to get a mixture to make the pig iron to get the steel to make the analysis to make it go through the processes.

Senator SIMMONS. You say we sold last year something over two million dollars' worth of tin plate in the neutral markets of the world. That tin sold at the same price in these neutral markets that it sells for in the American market?

Mr. LARKIN. I explained that awhile ago by showing that our mills were idle, and we gave 3 per cent from our mills generally, and told the

American manufacturers to go after this outside business so as to give the employees work, and we would give 25 per cent reduction in our wages.

Senator SIMMONS. So that that tin sold at a little less in the foreign market?

Mr. LARKIN. Yes.

Senator SIMMONS. That is, it sold at a profit in the foreign market?

Mr. LARKIN. A good bit of it is on the export proposition.

Senator SIMMONS. I am talking about the export proposition.

Mr. LARKIN. I mean on the rebate proposition, where they bring the tin plate into this country and they give them 99 per cent back.

Senator SIMMONS. Have you made a profit on the price that you have gotten for your tin exported?

Mr. LARKIN. We gave them 25 per cent reduction on the wages.

Senator SIMMONS. Is there any profit after you have given them that?

Mr. LARKIN. I could not say whether the manufacturer received any profit or not, from our giving that.

Senator SIMMONS. If you can sell this amount of tin plate in the neutral markets of the world, where tariff conditions are equal, in competition with England, and make a little profit, why can you not compete with them here in your own market?

Mr. LARKIN. I want to say here that, while I explained it before, sometimes necessity has compelled the workmen to do what they did not want to do. All of the men giving 3 per cent of their wages, it did not last very long until we had accumulated quite a fund, and there were three years during which we did not give one cent, because they did not get much of the export business. But I could not tell you whether the manufacturer is making a profit or not, because I am not a manufacturer. I am representing the workmen.

Senator SIMMONS. Is not the export business increasing?

Mr. LARKIN. Yes; and imports are also increasing.

Senator SIMMONS. Imports are increasing and exports are increasing?

Mr. LARKIN. Yes.

Senator SMOOT. Included in the exports are the amounts which have been imported here and reexported after being manufactured into containers for coal oil, etc.; things produced for foreign contract.

Senator SIMMONS. We have been talking about the old price of tin plate, \$14, and the present price of \$3.50. What was the price of iron—we will say of steel rails—in this country about 1880; do you know?

Mr. LARKIN. I think I have the bar-iron proposition here. I have that only on bar iron back to 1844.

Senator SIMMONS. Come down to about 1880?

Mr. LARKIN. Practically; it took as much to manufacture bar iron as to manufacture rails at that time, and I find that in the war times it went up to \$144 a ton.

Senator SIMMONS. We are not talking about war times.

Mr. LARKIN. In 1880 it was \$17.40.

Senator SIMMONS. What is it now?

Mr. LARKIN. Probably about \$26 or \$27. I have figures here for 1910, showing a price of \$28.50.

Senator SIMMONS. In that connection, that was in 1880?

Mr. LARKIN. Yes.

Senator SIMMONS. You say the price of bars was what?

Mr. LARKIN. \$78.40, in January. In February they went to \$89.60. In March they kept the same. In April they fell to \$71.68, in May to \$56, in August to \$50.40. In September they were \$50.40, in October \$50.40, and that price kept on until January of 1881. Then they dropped again to \$47.04.

Senator SIMMONS. How about the English prices at that time?

Mr. LARKIN. I have not got them here.

Senator SIMMONS. You have not got them there?

Mr. LARKIN. No, sir.

Senator SIMMONS. Were not steel rails selling in this country between 1870 and 1880 at \$90 a ton?

Mr. LARKIN. I wanted to go back further, you know. Yes, in 1870; I would not doubt it.

Senator SIMMONS. And the price is \$28 a ton to-day?

Mr. LARKIN. \$28.50 is the last price I have here.

Senator SIMMONS. And they dropped that much in that time?

Mr. LARKIN. Yes.

Senator SIMMONS. Could you tell me what the drop had been in Europe during that time?

Mr. LARKIN. Yes.

Senator SMOOT. Europe had to follow our prices. Whatever our manufacturers made steel rails they had to follow, as far as this market was concerned?

Mr. LARKIN. Yes; because we had the improved machinery, and there were new people going into the industry and they got the latest appliances.

Senator SIMMONS. Do you know whether we have had to follow England or whether England has had to follow ourselves?

Mr. LARKIN. I could not say exactly whether the manufacturers in this country have had to follow the English manufacturer; but I want to say this, that he is a good leader, and a good follower when he goes after anyone.

Senator SIMMONS. I had understood that the trend of all your argument had been that we have been following England in prices. Now, I understand you to reverse that and to say that England is following us.

Mr. LARKIN. No; you misunderstood me. I said, and I went into quotations, that until 1895, when we took hold of the tin industry, they could not follow us and they could not lead us. The price was the Welsh price that was quoted in this country, even up to 1894. They could not follow us after we had established the mills in this country.

Senator SIMMONS. You did not reduce the price of tin plate except as you reduced the cost of manufacturing tin plate?

Mr. LARKIN. I am not a manufacturer.

Senator SIMMONS. The American producers of tin plate did not reduce the price, except as the cost was reduced, did they?

Mr. LARKIN. As to the cost of it?

Senator SIMMONS. Yes.

Mr. LARKIN. I could not say that. I could not say what they had done.

Senator SIMMONS. Is not that a law of trade, as a rule? If you eliminate trusts and the tariff, is there not a law of trade that as the cost of production falls the price falls?

Mr. LARKIN. Yes.

Senator SIMMONS. Do you not think that in this country we have reduced the price because the cost of making tin has been reduced, and do you not think that England has done the same thing?

Mr. LARKIN. In trying to answer the first question, you know, when the price of the commodity goes into the product that fell, it does not always necessitate that the consumer is going to get a benefit.

Senator SIMMONS. I want to ask you this question. You have shown that tin plate has fallen from \$14 to \$3.50?

Mr. LARKIN. Yes.

Senator SIMMONS. You have said that iron ore has fallen about one-half?

Mr. LARKIN. I have said that steel rails have fallen from \$90 to \$28.

Senator SIMMONS. I ask you if that does not grow out of the fact that the cost of production has been reduced?

Mr. LARKIN. I said yes; the cost of production has been reduced; and in going into the tin-plate industry the American manufacturer who put his money into the industry got all the latest appliances, and he made steel cheaper which goes into the manufacture of tin plate.

Senator SIMMONS. You have endeavored, it seems to me, to create an impression before the committee that the fall of the price of tin and iron has been due to the tariff. I ask you if it has not been due to the principle of trade that the cost of production has been reduced here, and reduced in England, and reduced everywhere, and that the cost of iron has gone along with it, and the cost of tin plate has gone along with it?

Mr. LARKIN. I have endeavored to point out that through improved appliances in the manufacture of steel, from the time it was worked first—where we have got 2 men engaged we used to have 100, and while these things have gone to reduce the prices they have reduced the cost of producing the product.

Senator SMOOT. Do you think if there had never been a tariff upon tin plate we would ever have made a pound of it in this country?

Mr. LARKIN. No, sir.

Senator WILLIAMS. I do not think anybody will dispute that, Senator.

Senator SMOOT. I was going to lead up to another proposition.

Senator WILLIAMS. I thought I would save you the trouble; that it was purely an artificial, hothouse industry.

Senator SMOOT. It is one of those industries you would like to see put out of existence entirely; I know that.

Senator WILLIAMS. It has been developed just like you could build up any industry anywhere, with a high enough tariff.

Senator SMOOT. There are few who are so frank as Senator Williams, because he is always willing to say that he does not believe in any kind of industry that will employ American labor if foreigners engaged in that industry can make the product cheaper. That is your position.

Senator WILLIAMS. I have not taken that position.

Senator SMOOT. I have heard you state it so many times.

Senator WILLIAMS. But I do take the position that where the industry is of such a character as this is, where both the cost of materials and the labor cost are higher, there is of necessity a higher cost of production than obtains abroad, and where it gives no hope that the time will ever come when we can compete upon an equal footing, it is useless and wrong to tax the American people for all eternity in order that it may exist.

Senator SMOOT. That is the Senator's belief, no doubt. That is exactly what I have always understood his position was; but as an American citizen I want to say that my belief is that if every tin plate mill in this country were destroyed, as you say it would be with free trade, and we made no tin plate in this country, the price ultimately would be higher to the American people than it is with American manufacturing.

Senator WILLIAMS. That position I would absolutely challenge.

Senator SMOOT. Certainly you would.

Senator WILLIAMS. And the fact that it can not be safely taken is proven by the fact that tin plate has declined just as much abroad as it has here, *pari passu* with its decline here, and for the same reasons.

Senator SMOOT. You would turn out the American tin plate manufacturer here, and put the American market in the position of being competed for by England, and the price would immediately advance in England.

Senator WILLIAMS. You may think that. Let me ask you a question, Mr. Larkin?

Mr. LARKIN. Yes.

Senator WILLIAMS. We did make the tin which we consumed, did we not?

Mr. LARKIN. Yes.

Senator WILLIAMS. At that time?

Mr. LARKIN. Yes.

Senator WILLIAMS. And we did make a little over and above that, did we not?

Mr. LARKIN. Yes.

Senator WILLIAMS. And I understood you to say a moment ago that they had had to submit to a reduction of wages in order to find a market for the surplus, over and above the American consumption, that we were producing? Those are facts, are they not?

Mr. LARKIN. Yes.

Senator WILLIAMS. So that we have already hothouse this industry to the point where it fully fills the American market and produces a surplus, and labor has to stand a discount in order that that surplus may be marketed?

Senator SMOOT. Not over 1 per cent of it.

Mr. LARKIN. It puts us on a competitive market.

Senator WILLIAMS. I understood you to say 25 per cent.

Mr. LARKIN. It puts us on a competitive market with the people on the other side of the water who have never taken a reduction since 1874. Their manufacture in 1909, as I got the statistics, was 11s. 9d. per box at Liverpool. If these people should start business in this country, start more mills and take any of their surplus stock and bring it over here, do you not think it would be a cut-throat game? If they would take a reduction it would only have to be a small reduction, at present.

Senator WILLIAMS. I am not arguing with you; I am merely trying to get facts. The facts are that this production, built up entirely by a public tax, has been brought up to the point where it furnishes the goods necessary for the American market, and a surplus; and the fact is that when that surplus had to be marketed it had to be marketed at the expense of American labor?

Mr. LARKIN. Yes.

Senator WILLIAMS. And a reduction was made, voluntarily, by American labor of 25 per cent?

Mr. LARKIN. Yes; but it was a general reduction. Everybody took a part of it. It made 3 per cent. On the 3 per cent proposition, in less than one year we had enough money to pay out for the next three years.

Senator WILLIAMS. Whatever the percentage may be, it was some percentage of loss to American labor?

Mr. LARKIN. Yes.

Senator WILLIAMS. Which we can figure out, and which I hope you will figure out.

Senator SMOOT. It was not an actual loss because of the fact that the men worked all the year around.

Senator WILLIAMS. Never mind. It was a loss in the rate of American wages; and the object of it was to produce a condition under which they could work all the year around?

Mr. LARKIN. Yes.

Senator WILLIAMS. Now you have secured that position, and you have secured it by making this sacrifice. The point I am arriving at is this, that with the utmost help of law, and with a sufficient help from law—an oversufficient help, because the manufacturers themselves came and consented to a reduction, did they not, at the last tariff?

Mr. LARKIN. Yes.

Senator WILLIAMS. Then, with an oversufficient help from law, they have succeeded merely in filling the American market at a price higher than the foreign producer could have filled the American market for.

Mr. LARKIN. And they have demonstrated that the foreigner had a monopoly of this market, and they have reduced the price to the consumer.

Senator WILLIAMS. But, however that may be, the fact is that you have filled the market and that you have filled it at a price higher than tin was selling at in Wales and in England. It is a matter of argument. If we had not been in business, the foreigner, as he is called, could have raised it?

Mr. LARKIN. Yes.

Senator WILLIAMS. Is the "the foreigner" one man, or a great many men?

Mr. LARKIN. He is a great many men.

Senator WILLIAMS. He is a great many men?

Mr. LARKIN. Yes.

Senator WILLIAMS. And he is competing with himself, is he not, in the production of tin plate, or whatever he produces?

Mr. LARKIN. Yes.

Senator WILLIAMS. The idea that there is a foreigner who is holding all these things, watching to flood the American market, is rather a figment of the imagination, is it not?

Mr. LARKIN. In explaining this other proposition, of our taking the reduction, the gentleman probably did not get what I said before, that this was on what was being imported and reexported.

Senator WILLIAMS. Yes.

Mr. LARKIN. And, to get some of that work, we tried to meet the prices of the foreign manufacturers. It was not sending the plates to Wales, as I believe you understand me.

Senator WILLIAMS. I understand that. I am not quarreling with that. I think that is very sensible.

Mr. LARKIN. We were not in any competition with the Welsh people. This was brought here and made into cans for fruit and fish, and so forth; and it was to get some of that work, that really belonged to the American people, that we took a general reduction of 3 per cent; and that did not last but less than a year. Then the business that we got, after giving 25 per cent back as a rebate, just the same as the Government gives 99 per cent back for the work, to the American can maker, was enough so that we had work for some of the mills for nearly three years, and we never had to pay another cent after the first year. We are not sending plate out to reduce the price in the Welsh market, but this is on the plate that is imported and then reexported.

Senator WILLIAMS. Just that part of the trade?

Mr. LARKIN. Just that part.

Senator McCUMBER. What part of the world's production is manufactured in the United States?

Mr. LARKIN. Of what, tin plate?

Senator McCUMBER. Yes.

Mr. LARKIN. I have not got those statistics.

Senator McCUMBER. Does it compare with that which is manufactured in England or Wales?

Mr. LARKIN. Probably we make about two-thirds of what they do, according to the amount of mills that they have there and what we have here.

Senator McCUMBER. We make about 66 per cent of what is manufactured in England or Wales?

Mr. LARKIN. Yes; something about that; something about two-thirds.

Senator McCUMBER. All right. If we closed our market, and reduced the production 66 per cent, by the law of supply and demand tin plate would go up immediately afterwards, would it not?

Mr. LARKIN. Yes; I should think so.

Senator McCUMBER. And it would advance enormously, would it not?

Mr. LARKIN. Yes.

Senator McCUMBER. So that if the consumer in this country was obliged to buy in a market that was so much diminished, he would be compelled to pay a very much higher price, would he not?

Mr. LARKIN. Yes.

Senator SMOOT. Senator Williams referred to a "foreigner." I can tell him of certain things that are imported from foreign countries that are absolutely controlled by a syndicate, and that is what I call "a foreigner."

Senator WILLIAMS. You and I are not testifying. I was merely asking the witness a question, and he answered it. He said that he

thought that "the foreigner" was not one, but many. It is of no importance whether you and I agree with him or not. We can argue that on the floor of the Senate.

Senator SMOOT. Yes. Mr. Larkin, have you a table showing the difference in wages in England and America in the tin-plate industry?

Mr. LARKIN. We filed another one in the tariff hearings in 1909.

Senator SMOOT. I have that before me now. That was filed by John Williams, secretary-treasurer of the Amalgamated Association of Iron, Steel, and Tin Workers of North America, dated December 1, 1908. Do you know whether the scale of wages to-day is the same as the scale of wages at that time?

Mr. LARKIN. Yes.

Senator SMOOT. You know that the scale of wages at that time, as presented by Mr. John Williams, was correct?

Mr. LARKIN. Yes.

Senator SMOOT. Then I will ask that that same statement made by Mr. John Williams to the Ways and Means Committee, in the hearings on the Payne-Aldrich bill, be made a part of this record.

(The statement referred to is appended to this hearing.)

Senator McCUMBER. How many men are employed in the tin-plate industry in this country, as near as you can give it?

Mr. LARKIN. Perhaps 22,000.

Senator McCUMBER. How many?

Mr. LARKIN. About 22,000 are employed direct in the tin business.

Senator McCUMBER. How many are employed in connection with it?

Mr. LARKIN. Following it right from the steel plant, I could not give you those figures.

Senator McCUMBER. About 22,000 are employed directly?

Mr. LARKIN. Yes; but then there are the coal mines, and the coke ovens, and so forth, and everything that goes into the production of the steel. I could not give you the exact number.

Senator McCUMBER. It is rather a strenuous class of work, is it not?

Mr. LARKIN. Yes.

Senator McCUMBER. You spoke of the men working short passes.

Mr. LARKIN. Yes; it is as much as you can do to stay there 15 minutes in warm weather.

Senator McCUMBER. So that it requires a larger number of men in working passes than it would if the men worked the full shift?

Mr. LARKIN. Yes, sir.

Senator WILLIAMS. Before these men were induced by law to go into this work as laborers, what were they doing?

Mr. LARKIN. A large number of them, with the closing down of the plants on the other side of the water, came to this country, and that made the business a success.

Senator WILLIAMS. To a large extent they were men who were imported by this law to do this work?

Mr. LARKIN. No; they were not imported. I would not say that. They emigrated and came here.

Senator WILLIAMS. Then they were induced, by this law, to emigrate to America to do this work?

Mr. LARKIN. At that time, yes, sir.

Senator WILLIAMS. Then those of them who were Americans were engaged in other industries, working at other things?

Mr. LARKIN. Yes.

Senator WILLIAMS. And, upon the whole, were they working at the other things as profitably as they are working at this?

Mr. LARKIN. No, sir; I could not say that.

Senator WILLIAMS. You do not know about it?

Mr. LARKIN. I believe, after we had started the mills here, especially about 1896 and 1897, or starting from 1891 and 1892, that on the other side of the water, in 1897 and 1898, they got other business in other countries, in other markets, and a large number of these men went back. Then, about 1898, 60 per cent of the tin-plate workers of this country were American born, or native born, who were in the business.

Senator WILLIAMS. They were what?

Mr. LARKIN. They were American born or natives who had learned the business inside of about six years.

Senator WILLIAMS. And who had, prior to this time, before they were induced by legislation to go into this business, been engaged in other work. Now, as to the nationality of these men, are the skilled men chiefly Welsh? They are Welsh, chiefly, are they not?

Mr. LARKIN. Yes, sir; they are chiefly Welsh people.

Senator WILLIAMS. Yes; and, first, because of the fact that Wales has been almost from time immemorial a tin country; that is, producing tin?

Mr. LARKIN. If the tin-plate making in Wales—

Senator WILLIAMS. It goes back to Phœnician times, does it not?

Mr. LARKIN. Yes; but in 1760 there was a man went to Germany, to Bohemia, to learn the business. They did not have the rolls in those days, but they used hammers. He came back and built a plant and started, and demonstrated that they could make the tin plate there; but somebody went and got the patent right of selling tin plate in the country, and this man could not make it. Wales had the block tin, and Cornwall, and Germany had to import it, just as we have to import from Australia and other places now, to make a coating for the tin plate.

Senator WILLIAMS. Is there any tin produced in this country?

Mr. LARKIN. I do not think there is; no. At one time they thought they had found some out in Dakota, but I do not know anything about it. We have to import all of our raw material—that is, we have to import all the tin.

Senator WILLIAMS. Of course, you do not import iron ore, I know; but so far as the tin itself is a raw material, you have to import that?

Mr. LARKIN. Yes.

Senator WILLIAMS. From what countries do we import it, mainly?

Mr. LARKIN. We import it from Tasmania, I believe; and Australia, most of it.

Senator WILLIAMS. Do we import any of it from Wales, ourselves?

Mr. LARKIN. There is some of it that probably comes from Cornwall yet.

Senator WILLIAMS. But we import it mainly from Australia?

Mr. LARKIN. From Australia; yes.

Senator WILLIAMS. So that that has to come to us across the Pacific and overland, or it has to come around Cape Horn, or through the Suez Canal, and around by the Atlantic to get to us?

Mr. LARKIN. Yes.

Senator WILLIAMS. And we are expected to carry that burden?

Mr. LARKIN. Yes; the same as people had to bear the burden when all the tin plate was manufactured abroad and sent into this country, and they charged those large prices at that time. We have just the same thing in the coating of the plate, to make tin plate. It is controlled by people in another country, and they charge the price.

Senator WILLIAMS. I want to ask you something not altogether relevant to this, but I want to know about it. I notice, whenever I have any building to do, the contractor puts in the words, "old Taylor tin." What does that mean?

Mr. LARKIN. What is it?

Senator WILLIAMS. Old Taylor tin.

Mr. LARKIN. If you were in the tin business, you would have a brand on the market, and you would say, "The Williams Brand" of tin. That was an old brand.

Senator WILLIAMS. Why is that? Is it peculiarly excellent tin, or pure tin, or what?

Mr. LARKIN. No, sir; every company had a brand of their own.

Senator WILLIAMS. Where was that "old Taylor" tin made, as the contractors call it?

Mr. LARKIN. I do not know. The N. & G. Taylor people had that brand, I believe, before they consolidated.

Senator WILLIAMS. They made it where?

Mr. LARKIN. In Cumberland and Philadelphia. That was their brand, and they put it on their tin, just as they put brands on sheet iron.

Senator WILLIAMS. It does not refer to any process by which it is made?

Mr. LARKIN. It is just the brand.

Senator HEYBURN. What proportion of these persons, these 22,000, who are engaged directly in the tin manufacture, in your judgment are citizens of the United States?

Mr. LARKIN. Practically all of them.

Senator HEYBURN. So that the fact that they came from Wales, or anywhere else, does not affect the question of citizenship?

Mr. LARKIN. They are naturalized and are voters.

Senator SMOOT. They are just as good citizens as any other Americans.

Senator WILLIAMS. Oh, the Welsh are the best citizens.

Senator SMOOT. I wanted you to admit that.

Senator SIMMONS. Just one question. Are you a native American?

Mr. LARKIN. No, sir.

Senator SIMMONS. How long have you been in this country?

Mr. LARKIN. Since 1884.

The CHAIRMAN. You are a American citizen?

Mr. LARKIN. Yes, sir; I have been voting since 1889 at Pittsburgh.

Senator HEYBURN. I would like to ask this witness where the Straits Settlements are, from which I see we have an importation? What country does that indicate? In this table I notice the Straits Settlements.

The CHAIRMAN. That is in north Borneo.

Senator HEYBURN. I wanted that in the record. That is the tin that is mentioned there, is it?

Mr. LARKIN. Yes, sir.

Mr. WILLIAMS. Mr. Chairman, we have a representative here from the employees of the Follansbee Iron & Steel Co.; but on account of the fact that we have consumed so much time this morning, all that he desires to present before this committee is a protest from the employees of that plant against any change in the way of reduction of the duty from 1.2 cents to 20 per cent ad valorem. The same is true of the representative from Steubenville, from the Pope Tin Plate Co.'s works, who represents the employees of that plant. He desires to present the protest of those employees against any change in the direction of a reduction of the duty. If it is not the desire of your committee, they will not consume any more of your time, and they merely desire that their position may be entered in the record. These men are here, if you want them to be heard, however.

The CHAIRMAN. You might put them on the stand for a minute.

Mr. WILLIAMS. Very well.

STATEMENT OF MR. RICHARD D. SELWAY, REPRESENTING THE EMPLOYEES OF THE POPE TIN PLATE CO., OF STEUBENVILLE, OHIO.

The CHAIRMAN. Mr. Selway, where do you reside?

Mr. SELWAY. Steubenville.

The CHAIRMAN. You represent the employees of the Pope Tin Plate Co.?

Mr. SELWAY. Yes, sir.

The CHAIRMAN. What do you do?

Mr. SELWAY. I am a doubler in the tin room.

The CHAIRMAN. That is a position requiring skilled labor?

Mr. SELWAY. Yes.

The CHAIRMAN. Have you anything further to say to the committee than has already been stated?

Mr. SELWAY. No, sir; I do not believe that I have.

Senator SMOOT. Have you a statement prepared, you say? Mr. Williams spoke of a statement that you wished to offer. Have you that with you?

Mr. SELWAY. It is in regard to a meeting of the employees of the Pope Tin Plate Co. They asked me to come here.

Senator WILLIAMS. What nationality are you?

Mr. SELWAY. I am a kind of mixed breed. I am English and Welsh both.

The CHAIRMAN. And a little Scotch, possibly?

Mr. SELWAY. Not that I know of.

Senator SIMMONS. You were born in Wales?

Mr. SELWAY. I was born in Wales; yes, sir.

The CHAIRMAN. How long have you been in this country?

Mr. SELWAY. Since May 10, 1905.

The CHAIRMAN. You are an American citizen?

Mr. SELWAY. Yes.

The CHAIRMAN. And you vote regularly?

Mr. SELWAY. Yes, sir; I have voted since the first week or two of my five years was up. I got my papers in Allegheny County, Pa.

Senator SIMMONS. You say you represent the employees of this company?

Mr. SELWAY. Yes.

Senator SIMMONS. What proportion of the employees are Americans?

Mr. SELWAY. Most of the hot-mills men and those in the tinner plant.

Senator SIMMONS. What proportion of those are Welsh?

Mr. SELWAY. Nearly two-thirds of them.

Senator SIMMONS. Of Welsh extraction?

Mr. SELWAY. No; in the tinner part there are more American born than anything. I believe they are about evenly divided in the hot mills—Welsh born and American born. The fact is that the biggest majority are citizens of this country. I do not believe you will find a dozen who are not citizens of the country, of the men that work in these mills.

Senator HEYBURN. Some of them are the children of the people who have come over?

Mr. SELWAY. Yes; some of them are. I would just state, sir, that I was asked to come here before this committee to protest against the reduction of the tariff from the present price of 20 per cent ad valorem, because they were afraid it would cause trouble and reduction in the price of wages and cause strikes and lockouts. At the present time we think the wage is pretty fair, but if we have any strikes or lockouts it inevitably results in the workmen having reductions. At least that is the way it has always been in the past.

Senator SMOOT. You have never worked in any other trade than the tin trade?

Mr. SELWAY. Yes; for a little while.

Senator SMOOT. That is all you know?

Mr. SELWAY. Well, yes.

Senator SMOOT. That is true of most of these workmen, is it not?

Mr. SELWAY. I did work at galvanized iron for a year or so.

The CHAIRMAN. Now, Mr. Williams, whom else do you wish to be heard?

Mr. WILLIAMS. Mr. Jenkin Jones.

STATEMENT OF MR. JENKIN JONES, OF FOLLANSBEE, VA., REPRESENTING THE EMPLOYEES OF THE FOLLANSBEE IRON & STEEL CO.

The CHAIRMAN. What is your business in the Follansbee mills?

Mr. JONES. I am a roller in the tin mill.

The CHAIRMAN. Have you any statement you desire to make to the committee in a brief way?

Mr. JONES. The only statement that I have is that my fellow employees have elected me to come here and represent them, and protest against any changes in the tariff from what it is at the present time, owing to the fact that we think it will be a menace to our interests.

Senator SMOOT. Have you ever worked in the mills in Wales?

Mr. JONES. Just as a boy.

Senator SMOOT. How long have you been in this country?

Mr. JONES. Twenty years.

Senator SMOOT. You worked in the mills most of that time?

Mr. JONES. Yes.

Senator SMOOT. Are you in possession of any information as to the difference between the wage paid in Wales and the wage paid in this country or in England?

Mr. JONES. I believe Mr. Williams has got pretty near a correct scale, in what he has. I have been looking over it, and so far as I know that is about the scale. The scale in Wales they have maintained since 1874. It was established in 1874, and that scale has never been changed since that time.

Senator SMOOT. That is the scale I put in the record a moment ago?

Mr. JONES. Exactly.

Senator SIMMONS. What is the condition of the laborers in the tin-plate industry?

Mr. JONES. In Wales?

Mr. SIMMONS. Yes.

Mr. JONES. I may say that their conditions are very good at this time. The trade in Wales has picked up considerably in the past few years, owing to the foreign markets that they have opened up in Spain and Japan and Australia and other countries.

Senator SIMMONS. They are not coming to this country to the same extent they used to, I believe?

Mr. JONES. No, sir.

Senator SIMMONS. Is that because their condition has improved?

Mr. JONES. The conditions in the mills there are improved over what they were. There has not been the usual emigration from the tin-plate industry in Wales since they recuperated from the losses which they suffered by the McKinley tariff, through the losing of the American market, but I might say that there was a considerable number that went back to Wales when we had our strike some two or three years ago.

Senator SIMMONS. They left these good prices here and went back there?

Mr. JONES. They had to go some place to make a living. They followed their trade out, and followed it back again.

Senator SIMMONS. Was there not any employment for them here?

Mr. JONES. No, sir.

Senator SMOOT. The tin-plate industry in this country has reached almost its limit, so far as the local market is concerned?

Mr. JONES. Yes, sir.

Senator SMOOT. And therefore the immigration will not be so large as it was in the past?

Mr. JONES. No, sir.

Senator WILLIAMS. You say the laborers followed the trade out and then followed it back?

Mr. JONES. I say that the reason the Welshmen came to this country in the first place was because the trade was taken away from Wales, and the mills there shut down, and they emigrated here; and owing to the strike that we had two or three years ago, when we had 5,000 or 6,000 men thrown out of work, they went back, a great many of them.

Senator WILLIAMS. Which way is the movement now—toward us or away from us?

Mr. JONES. I would say that the movement at the present time is about at a standstill.

Senator WILLIAMS. It is about at a standstill now?

Mr. JONES. Yes.

Senator WILLIAMS. Labor, when it is free, moves to the market of highest prices, does it not, or highest remuneration?

Mr. JONES. That would be a reasonable inference.

Senator WILLIAMS. So that when the Welsh came here, they came because they could get higher wages?

Mr. JONES. They came because their trade was coming here.

Senator WILLIAMS. They came here because they could get higher wages than at home?

Mr. JONES. Yes; they could not get anything at home.

Senator WILLIAMS. Then they could get higher wages here than at home, if they could get nothing at home; that is true?

Mr. JONES. Yes.

Senator WILLIAMS. When they started to go back they started to go back because they could get better remuneration there than here?

Mr. JONES. Because they were idle here; because they could not make a living here, and they could make it there.

Senator WILLIAMS. They could get something there, and they could get nothing here?

Mr. JONES. Yes.

Senator WILLIAMS. And so they went back. So that they came over here in order to get a higher remuneration, and then they followed the higher remuneration back; and right at the present moment you say the movement is about at a standstill?

Mr. JONES. Yes.

Senator WILLIAMS. They are not sending any more to us than are going back to them?

Mr. JONES. I would not say they are not sending any more to us.

Senator WILLIAMS. No. But no more are coming to us than are going back?

Mr. JONES. No, sir; but many are going back because the trade in Wales is booming.

Senator WILLIAMS. So that the condition for the laborer there is better than it is here, at this time?

Mr. JONES. So far as the cost of living and the like of that is concerned, I would think it would be.

Senator SIMMONS. You spoke about strikes over here a year ago. When was that?

Mr. JONES. In 1909.

Senator SIMMONS. What time in 1909?

Mr. JONES. July 1.

Senator SIMMONS. What brought about those strikes?

Mr. JONES. What caused the strike?

Senator SIMMONS. Yes.

Mr. JONES. The American Tinner Sheet Co. refused to recognize the Amalgamated Association as an organized body.

Senator SIMMONS. What tariff law was in effect at the time of those strikes?

Mr. JONES. The same law that is in effect now.

Senator SIMMONS. The Payne-Aldrich law was about to go into effect. The Dingley law was in effect and the Payne-Aldrich bill was about to go in effect?

Mr. JONES. Yes.

Senator SMOOT. The question of the tariff had nothing to do with it!

Mr. JONES. It was a question of recognizing the union.

Senator SMOOT. Yes. You stated that, taking into consideration the high cost of labor, you thought the laboring man in Wales was about as well off as the laboring man in this country, did you not?

Mr. JONES. Yes; I consider that he is.

Senator SMOOT. Do you mean to say that the man in Wales, on the wage that he gets there, can live, and purchase the same class of articles that he purchases in this country, on the same basis as the man that works in this country does, or live on the same basis?

Mr. JONES. No, I do not.

Senator SMOOT. In other words, the man that works in Wales has not the same standard of living as in this country?

Mr. JONES. Not quite so much; no, sir.

Senator SMOOT. He does not eat as much meat?

Mr. JONES. He might eat as much meat.

Senator SMOOT. But not so good?

Mr. JONES. Yes; probably as good a kind, too; but he has not the luxuries that he has here. He might not have as many suits of clothes or pay so high a rent or live in so good a house.

Senator SIMMONS. You spoke of the meats. Do they not have good meats in Wales?

Mr. JONES. They have the best meats in the world.

Senator SMOOT. They cost as much as they do here?

Mr. JONES. Yes. I am not very familiar with the cost of living there, because I was only a boy when I left there. I can not give you the prices of meats, etc.

Senator WILLIAMS. You have a good Welsh name. Were you born in Wales?

Mr. JONES. Yes; I left home when I was 8 years old.

Senator SMOOT. Does the flour that the workingman uses there cost as much as the flour he uses here?

Mr. JONES. I can not tell you. I am a bachelor, and I do not know anything about the prices of eatables; only clothes, that is all.

Senator WILLIAMS. You just pay a boarding house?

Mr. JONES. I just pay a boarding house; yes.

The CHAIRMAN. All right, Mr. Jones. The committee will hear for a minute or two from Mr. C. M. Voorhees, of Columbus, Ohio.

Mr. WILLIAMS. Mr. Chairman, may I ask the mode of procedure with reference to getting petitions before the committee? I have been notified that practically all the organizations of metal workers in this country, particularly those that make bar iron—every tin-plate mill, every sheet mill, and a number of the mills, particularly those that make bar iron—have petitions signed by their employees to be sent to this committee. They have asked me for information as to how they can be presented to you.

The CHAIRMAN. They can be mailed to me as chairman of the committee and will be submitted to the committee.

Senator WILLIAMS. Did I understand you to say that they had had petitions signed by their employees?

Mr. WILLIAMS. Their employees have petitions signed representing—

Senator WILLIAMS. I understood you to say that they had had petitions signed by their employees.

Mr. WILLIAMS. No; I do not want you to get that understanding.

Senator WILLIAMS. That was just a slip of the tongue, was it?

Mr. WILLIAMS. Yes.

Senator WILLIAMS. I thought perhaps it was.

Senator SMOOT. You meant the workmen, the employees?

Mr. WILLIAMS. Yes; the employees.

Senator SIMMONS. While you are on your feet, I would like to ask you one thing about that. You say the employees have gotten up these petitions. I want to know whether you have any information that they have gotten them up at the instance of the owners?

Mr. WILLIAMS. No, sir; I do not believe they have.

Mr. LARKIN. I will answer that question.

Senator WILLIAMS. Mr. Williams, you have a good Welsh name, too.

Mr. WILLIAMS. I am a Welshman from the crown of my head to the soles of my feet, and I am a good American citizen.

Senator WILLIAMS. You do not call yourself a Welshman either, do you? You call yourself an American?

Mr. WILLIAMS. I call myself an American.

Mr. LARKIN. In answer to that question, whether it was at the instigation of the employers that these men signed the petitions, I want to say that I am responsible in a large number of the mills for the men petitioning, because I took the matter up with them when I was attending their meetings.

STATEMENT OF MR. C. M. VOORHEES, OF COLUMBUS, OHIO, REPRESENTING THE COLUMBUS FORGE & IRON CO. AND OTHERS.

The CHAIRMAN. Mr. Voorhees, the committee will want to adjourn about 1 o'clock, and if you do not finish to-day, you can file anything you want to file, in writing.

Mr. VOORHEES. Thank you. Mr. Chairman and members of the committee, I want to state that Mr. Hay, of Brooklyn, is here, and there are some phases of the question that he wants to address the committee on. Noting that the time is very short, I will speak briefly and to the point.

Senator SMOOT. Whom do you represent?

Mr. VOORHEES. I represent the Columbus, Ohio, industry, in the manufacture of wrought anvils. To start with, I may state that there are three principal concerns in America manufacturing wrought-iron anvils. They are the Hay Manufacturing Co., of Brooklyn, N. Y., and two concerns in Columbus, known as the Columbus Forge & Iron Co., and the Columbus Anvil Forging Co., independent concerns. I am directly connected with the Columbus Anvil Forging Co., but I am here in behalf of the two concerns of Columbus, Ohio.

The schedule you are all familiar with. It is paragraph 17, pertaining to "anvils of iron or steel, or of iron and steel combined, by whatever process made, or in whatever stage of manufacture, 15 per centum ad valorem."

Senator SIMMONS. What is the present duty?

Mr. VOORHEES. 1½ cents a hundred pounds.

Senator SIMMONS. That is equivalent to what ad valorem?

Mr. VOORHEES. The equivalent ad valorem is about 31.95.

Senator WILLIAMS. In round numbers, it is 32 per cent?

Mr. VOORHEES. Thirty-two per cent. Now, I will give you a little of the history of wrought anvils in America. Prior to the McKinley law wrought anvils were not manufactured in America. They were all imported from England and Germany, principally from England. The Peter Wright wrought anvil was the anvil generally known and used throughout the United States, prior to the manufacture here.

Senator WILLIAMS. Will you explain to us what a wrought anvil is?

Mr. VOORHEES. A wrought anvil is a forged anvil. I speak of that, and I will call your attention to another manufacture of anvils. But in this country the wrought or forged anvils are in competition with the Peter Wright wrought anvil, which is an anvil made in England, and also with a Swedish cast steel anvil made in Sweden. I can say, from a historical standpoint, that in America we are making, and have made for a number of years, a cast-steel anvil, made for light work, and not generally used throughout the United States. Heavy work in this country requires a wrought anvil, although in competition we have now a Swedish cast-steel anvil.

Continuing the history of the manufacture of wrought anvils in this country, the first wrought anvils were made at the plant of the Hay Manufacturing Co., in Brooklyn, about 20 years ago. Subsequent to that, under the McKinley law, a plant moved from Germany and located in Columbus, Ohio, and made what is known as the Trenton anvil, a wrought anvil.

Senator WILLIAMS. Did that bring labor with it?

Mr. VOORHEES. They brought some labor with them. That was more than 15 years ago. The man who made the first wrought anvil in America died in Columbus about a year ago, from an accident. He was of your name, Senator; his name was Thomas Williams, and he was from Wales. Mr. Hay, who is here, knew him personally. I had the pleasure of a limited acquaintance with him. I think he died from an accident about a year ago.

Going further into the history of it, in 1907 there were manufactured in America about 3,000,000 pounds of anvils. Anvils are sold by the pound. That is the reason I speak of it in that way. There were sold about 3,000,000 pounds in this country. The average weight of an anvil will run about 150 pounds; that is, an anvil for general use.

In 1907 there were imported into the United States 709,749 pounds of anvils. That was at that time under the Dingley law. The rate of duty was $1\frac{1}{2}$ cents per 100 pounds. Under the McKinley law it was $2\frac{1}{2}$ cents per pound. It was reduced under the Wilson law to $1\frac{1}{2}$ cents a pound, and under the Dingley law it was increased to $1\frac{1}{2}$ cents a pound. Under the present law it is $1\frac{1}{2}$ cents a pound. That is, the present law now is lower than it has been at any time since the industry—that is, the wrought-anvil industry—was started in America.

Last year, during the fiscal year ending June 30, 1911, there were imported into America 1,310,863 pounds. In 1907 there were manufactured in America, of wrought anvils, 3,000,000 pounds. In the year 1911 there were manufactured 2,600,000 pounds of wrought anvils. So you see there has been a decrease since 1907 of over

400,000 pounds, and the importations, since 1907, have increased from 709,749 pounds to 1,310,863.

Senator SMOOT. We got a little too low on the Payne tariff, did we?

Mr. VOORHEES. I want to say that the manufacturers of wrought anvils in America did not consider that a reduction of the rate from $1\frac{1}{4}$ to $1\frac{1}{8}$ cents a pound was justified. With reference to the competition that the American wrought-anvil manufacturers were called on to meet, the principal competition, as I said before, was the Peter Wright wrought anvil, made in England, and a Swedish cast-steel anvil, made in Sweden. It is possible to deliver the Swedish cast-steel anvil at New Orleans, paying the freight, for less than the American manufacturer can make a wrought anvil for in competition.

The CHAIRMAN. Does that include the duty?

Mr. VOORHEES. That includes the duty.

Senator WILLIAMS. How far in the interior from New Orleans would that be true?

Mr. VOORHEES. The freight rate from New York to New Orleans is 40 cents per 100 pounds on anvils. The freight from Sweden to New Orleans is 30 cents per 100 pounds. The freight rate from Columbus, Ohio, to New York is 27 cents per 100 pounds, and from Columbus to New Orleans I think is about the same—it is about 20 to 30 cents per 100 pounds. New Orleans is the principal port of entry of the Swedish cast-steel anvils.

Senator WILLIAMS. How does that happen? It strikes me as rather curious. Do you know of any reason for that?

Mr. VOORHEES. I do not, Senator.

Senator WILLIAMS. I should think New York would be cheaper.

Mr. VOORHEES. It has access to a greater territory—that is, I mean the freight would be cheaper. It would have not only the South, but all the Central States and the northwestern part of the country. It may be because of the competition at New York. I can not tell you why it is, but that is a fact.

Now, then, gentlemen, I have prepared a few data, with reference to the history of the anvil, and I want to give a brief illustration as to the effect of a duty on anvils, under the ad valorem basis, as proposed in the bill, and under the present rate.

We will assume, for the purpose of illustration, that an anvil is made in Sweden weighing 100 pounds and that it costs 5 cents a pound to make it. Under the ad valorem duty it could come into this country at New Orleans at \$5.75, with 30 cents added as freight.

An anvil under the present law, allowing a rate of $1\frac{1}{8}$ cents a pound, of the same weight, 100 pounds, costing the same, would have a tariff on it of \$1.625. That shows you what the difference would be.

As I stated before, the freight rate from New York to New Orleans is 40 cents and the freight from Sweden to New Orleans is 30 cents.

In the production of the American wrought anvils the principal item is labor, and it is labor for this reason, that the wrought anvils are made either from selected scrap iron or from steel billets, and they are made in two parts, top and base, and they are welded together and in most of them a steel face is welded upon it; that is, it is a special forging, you understand.

The Swedish cast-steel anvil is made as a casting. The hot metal is poured into a mold.

The American wrought anvil, then, is compelled to come into competition with this Swedish cast-steel anvil.

Senator WILLIAMS. Do we make any cast-steel anvils in America?

Mr. HAY. Not cast steel, but cast iron, in this country?

The CHAIRMAN. The hour of 1 o'clock having arrived, which is our usual adjournment hour, we will have to stop. I am informed that you and Mr. Hay can remain over until to-morrow, Mr. Voorhees, and I would suggest that you continue your remarks at 10.30 o'clock to-morrow morning.

Mr. VOORHEES. Thank you, Mr. Chairman.

(At 1 o'clock p. m. the committee adjourned until to-morrow, Thursday, February, 29, 1912, at 10.30 o'clock a. m.)

The brief submitted by John Williams, secretary-treasurer of the Amalgamated Association of Iron, Steel, and Tin Workers of North America, on December 1, 1908, to the Committee on Ways and Means of the House of Representatives is, at the request of Senator Smoot, here reprinted in full in the record, as follows.

JOHN WILLIAMS, SECRETARY-TREASURER AMALGAMATED ASSOCIATION OF IRON, STEEL, AND TIN WORKERS OF NORTH AMERICA, FILES STATEMENT RELATIVE TO WALES TIN-PLATE WAGES.

PITTSBURGH, PA., *December 1, 1908.*

HON. SERANO E. PAYNE,

Chairman Ways and Means Committee,

Washington, D. C.

DEAR SIR: I inclosed under separate cover brief from officials of the Amalgamated Association of Iron, Steel, and Tin Workers, but omitted the inclosure contained herein, which is the scale of prices paid at the present time in the tin-plate mills in Wales. At hearing on November 27 I agreed to turn over same for information of committee.

Yours, truly,

JOHN WILLIAMS,
Secretary-Treasurer.

THE WELSH PLATE AND SHEET MANUFACTURERS' ASSOCIATION LIST OF WAGES TO REMAIN IN FORCE UNTIL THE 30TH OF JUNE, 1906.

Tin-plate mills.

[Per dozen boxes.]

	s.	d.
Rollers.....	3	5
Doublers.....	2	9
Furnacers.....	2	7
Behinders.....	1	5
Shearers.....	1	1

A box of plates means a basis of 14 by 10 inches, 225 sheets weighing 110 pounds in mills. Area 31,500 inches. Allowance for waste to be 2 per cent.

Gains to be paid on all plates above 140 pounds per box in mills and tin house.

Mill furnaces to be relighted by employers after stoppages for repairs or holidays.

Tin-plate sizes are up to and including 54 by 28 inches.

For shearing small squares:

9 inches and under 10 inches, 10 per cent extra.

7 inches and under 9 inches, 15 per cent extra.

7 inches and under 8 inches, 20 per cent extra.

Under 7 inches, 25 per cent extra.

A bundler to be provided for each shearer in tin-plate mills.

Openers, 6s. 3d. per 100 boxes, with 9d. extra if outside sheets are thrown out.

Payment to be made on area of 31,500 inches on all tin-plate sizes. In the event of plates being drawn light, due to faulty workmanship, workmen may be penalized by the addition of sheets to make up weight.

That 2 per cent margin be allowed. Gains to be made up weekly. Anything over half a box to be paid for as a box.

The following to be the minimum weights of bars supplied to the mills:

	Tin-house weights.	Weight per foot.	Widths.
	<i>Lbs.</i>	<i>Lbs. oz.</i>	
C 20 by 14.....	108	16 0	3
	105	15 8	3
	100	14 12	3
	95	14 0	3
	90	17 6	3
	85	16 8	4
	80	15 8	4
C 19½ by 14.....	110	15 12	4
C 18½ by 14.....	110	15 12	3

Workmen to follow machinery consistent with efficiency of the same, and careful regulation of orders being determined for individual works, and that the men be instructed to utilize the full period of time of each turn and the machinery in use. In case of dispute at any works, a committee of three masters and three men shall visit such works and report to the conciliation board for settlement; that in the event of breakdown from any cause in the mill the men employed shall not be expected to remain more than a reasonable time.

Changing rolls.—When broken or damaged during work:

Up to and including 30 inches, 8s. per pair or 4s. per roll.

Up to and including 32 inches, 8s. 6d. per pair or 4s. 3d. per roll.

Up to and including 34 inches, 9s. per pair or 4s. 6d. per roll.

If changed on Saturdays, which means after completion of week's work—

Up to and including 30 inches, 9s. per pair or 4s. 6d. per roll.

Up to and including 32 inches, 9s. 6d. per pair or 4s. 9d. per roll.

Up to and including 34 inches, 10s. per pair or 5s. per roll.

Changing standards.—Rollers, doublers, and furnace men, 6d. per hour; behinders, 4½d. per hour.

Changing leading boxes.—Where there is no intermediate spindle between leading spindle and rolls, 3s.

Changing screw pins, 1s.; changing screw pins and box, 2s. 6d.

Changing carriages or riders, 1s.; top brass, 1s.; bottom brass, 2s. each.

Changing coupling boxes and spindles, 1s.

1028 DUTIES ON METALS AND MANUFACTURES OF METALS.

The above rates for changing rolls, castings, etc., to apply at works of four mills and under and where millmen are employed to do the work and to come into the operation on January 1, 1903.

SHEET MILLS.

The following rates to be paid for sheets, black plate, and tinplates in sizes exceeding 54 by 28 and wider than 28 inches:

TABLE No. 1.—OVER 54 BY 28 UP TO AND INCLUDING 60 BY 30.

	Gauge.						
	30	29	28	27-25	24-20	19-14	Below.
Per ton.....	s. d. 21 6	s. d. 20 6	s. d. 19 3	s. d. 18 0	s. d. 16 0	s. d. 13 0	s. d. 12 0
Roller.....	6 6	6 0	5 10	5 5	4 9	3 10	.....
Doubler.....	3 3	5 0	4 8	4 4	3 10	3 1	.....
Heater.....	5 0	4 10	4 5	4 2	3 8	2 11	.....
Behinder.....	2 8	2 7	2 5	2 4	2 1	1 8	.....
Shearer.....	2 1	2 1	1 11	1 9	1 8	1 6	.....

TABLE No. 2.—OVER 60 BY 30 UP TO AND INCLUDING 96 BY 30.

Per ton.....	23 0	22 0	21 0	18 0	16 0	13 0	12 0
Roller.....	7 0	6 7	6 4	5 5	4 9	3 10	.....
Doubler.....	5 7	5 5	5 2	4 4	3 10	3 11	.....
Heater.....	5 4	5 2	4 10	4 1	3 8	2 11	.....
Behinder.....	2 9	2 9	2 7	2 4	2 1	1 8	.....
Shearer.....	2 4	2 1	2 1	1 10	1 8	1 6	.....

TABLE No. 3.—FROM 40 BY 31 AND WIDER UP TO 36 INCHES WIDE.

Per ton.....	23 8	22 7	21 6	18 0	16 0	13 0	12 0
Roller.....	7 2	6 10	6 6	5 5	4 9	3 10	.....
Doubler.....	5 10	5 6	5 3	4 4	3 10	3 1	.....
Heater.....	5 5	5 3	5 0	4 1	3 8	2 11	.....
Behinder.....	3 0	2 10	2 8	2 4	2 1	1 8	.....
Shearer.....	2 3	2 2	2 1	1 10	1 8	1 6	.....

TABLE No. 4.—ABOVE 36 INCHES WIDE.

Per ton.....	24 2	23 0	22 0	18 0	16 0	13 0	12 0
Roller.....	7 4	7 0	6 7	5 5	4 9	3 10	.....
Doubler.....	5 10	5 7	5 5	4 4	3 10	3 1	.....
Heater.....	5 5	5 4	5 2	4 1	3 8	2 11	.....
Behinder.....	3 3	2 9	2 9	2 4	2 1	1 8	.....
Shearer.....	2 4	2 4	2 1	1 10	1 8	1 6	.....

The following sizes, being over 1,512 sup. inches, are to be paid the rates of Table No. 1 (whether cut down to smaller size or not) and irrespective of what mills they are worked in:

54½ by 27½.	60½ by 25.	68 by 22½.
55½ by 27½.	61½ by 24½.	68½ by 22.
55½ by 27½.	61½ by 24½.	69½ by 21½.
56 by 27.	62½ by 24½.	70½ by 21½.
56½ by 26½.	63 by 24.	71½ by 21½.
57½ by 26½.	63½ by 23½.	72 by 21.
57½ by 26½.	64½ by 23½.	73 by 20½.
58½ by 26.	65½ by 23½.	74 by 20½.
58½ by 25½.	65½ by 23.	74½ by 20½.
59½ by 25½.	66½ by 22½.	75½ by 20.
59½ by 25½.	67½ by 22½.	

Sheets or plates between 29 B. G. and 118 L. B. basis are to be paid at 29 B. G. rate, otherwise all other intermediate gauges are to be paid at the lighter gauge rates; 1s. 6d. per ton extra to be paid for 31 G.; 2s. 9d. per ton extra to be paid for 32 G.; 4s. per ton extra to be paid for 33 G.; 12½ per cent extra to be paid openers on sheets of 60 by 30 and upward.

Helpers to be provided in 42-inch rolls at 5s. per day of eight hours and also in 36-inch mills on plates above 70 by 30 inches.

Helpers to be provided in 36-inch mills when working orders above 60 by 30.

Defectives, 50 per cent less on plates as rolled.

Allowance for waste in mills, 2 per cent.

Extras over 8-feet lengths, 10 per cent on all gauges.

Extras over 9-feet lengths, 15 per cent on all gauges.

Sizes over 26 inches up to 28 inches wide up to and including 46 inches long, 28-29 W. G. be paid 15 per cent above tin-plate scale.

These exceptions are made owing to the difficulty of working specifications within above limit.

The above rates include roller, doubler, furnace man, behinder, and shearer.

Rates for changing rolls are left to individual works, as the conditions vary so much.

That in the event of a breakdown from any cause in the mill the men employed shall not be expected to remain more than a reasonable time.

Pickling.—Black and white, 5s. 9d. per 100 boxes for 4 mills; 5s. 6d. per 100 boxes for 5 to 8 mills; 5s. 3d. per 100 boxes for 9 to 12 mills. Or employer's option, daywork, 7s. 6d. head pickler; 6s. 6d. second pickler; 5s. 10d. third pickler. In case of any change from piecework to daywork, or vice versa, 28 days' notice to be given.

Annealing.—Black and white: Coal, 11s. 6d. per 100 boxes; gas, 10s. 6d. per 100 boxes. Once annealing, 7s. 8d. per 100 boxes; gas, 7s. per 100 boxes. Payment to be on mill make, and half a week's work to be kept in hand. Wheeling coal and ashes to be done by employers. Other work to be carried out as hitherto. Opening small pots, viz, those used for plates, up to and including 30 by 21, 9d. per pot. Opening small pots, larger sizes, 1s. per pot. A payment of 5s. per furnace to be paid for relighting after repairs. The taking in and taking out of annealing pots to be done as hitherto, except in cases of extraordinary labor. Annealer's work to begin and end as in the past, except in special cases where the annealing furnaces are inconveniently placed, in which extra labor shall be arranged for by the conciliation board. In cases where annealing is done by daywork the rate to be equal to the above.

Cold rolling (per day):

	s.	d.
Roughers.....	2	2
Finishers.....	2	0
Assorters.....	1	9
Attenders.....	1	9
Greasers.....	1	6

As in some districts great difficulties are experienced in getting cold-roll labor, such works are allowed to make the best terms they can.

Holidays.—It is mutually agreed that the employers will concede a week's holiday during the months of July or August each year from 1906, details to be agreed upon before the months named.

FINISHING DEPARTMENT.

Tinning.—Three pence per box.

Washing.—Three pence per box.

Risers.—First year, 1d. per box; second year, 1½d. per box; third year, 1½d. per box.

Assorting.—Tin plates, 1d. per box; black plates, 6s. per 100 boxes.

Payment on area crosses and sizes as in mills.

Removing coal and ashes to and from tin house.—This work to be done by employees when water boys do not assist the tinmen. In cases where such boys are engaged, this work to be done by them.

"Make" boards to be put up in tin house, and gains to be made up weekly.

Five pence per hour to be paid the tinman when a breakdown occurs, if he is required to assist.

Six shillings per day of 12 hours to be paid the tinman when working an experimental pot in the event of his being unable to turn out an ordinary make.

Boxing.—Four shillings per 100 boxes, to include all labor except discharging. Numbering boxes consecutively, 6d. per 100 boxes.

1030 DUTIES ON METALS AND MANUFACTURES OF METALS.

Making tin cases (tin lining).—Old style, 2d. per box. From plates rolled to size and no soldering being required by the employer, except on cover, 3 farthings per box and gains. Where soldering is required otherwise than on cover, 1d. per box and gains.

Where plates of the size 20 by 10 inches are packed 225 sheets per box, on the basis of 1d. per box, and where plates are packed 112 per box, on the basis of 3 farthings per box with gains.

Employment to be found, as far as possible, when men are not employed in making tin cases.

Lapping.—To be paid at the rate of 1 farthing per box of 112 plates, with gains as in the last preceding paragraph mentioned.

Marking top sheets.—Rubber stamp, 3d. per 100 boxes; iron stamp, 9d. per 100 boxes. Such payments shall not include the making or providing the stamp.

Weekly stock taking, 6d. per hour if required to be done. General stock taking, left to individual works as practice varies so much.

Reopening damaged plates and reboxing, 1 pence per box.

Iron hooping.—Empty boxes (with light steel bands) halipenny per box up to and including 28 by 24 inches, 112 sheets. Gains to be paid on 20 by 10 only. Anything over 28 by 20 inches, 112 sheets, subject to special arrangements. All hooping, except as above, be paid for at 1 pence per box. In all cases the men to cut the iron to lengths.

Crating.—To be paid for at the rate of 1 pence per box, including boxing.

Making Canada cases.—One and one-half pence per single case, and 3 pence per double case.

Corner clipping.—One-half pence per box up to and including 28 by 20 inches, 112 sheets. One-half pence per box for 20 by 10, with gains.

Payments on area applies to doubles and Canadas in all departments.

It is recommended that pays should be made fortnightly, with a "sub" alternate weeks.

If any dispute arises in cases of employees not included in the wage agreement, a committee of three masters and three men shall discuss the matter, and failing to agree, matters to be reported to the conciliation board for settlement. All disputes shall be settled within a reasonable time.

That any settlement as to wages and conditions arranged for the ensuing year will only be operative from the date upon which an agreement is completed with the other sections of the trade.

In case of dispute at any works a committee of three masters and three men shall visit such works and report to the conciliation board for settlement.

That the rates paid, and the conditions, must not be more favorable than the foregoing to works outside the employers' association.

E. TRUBSHAW, Esq.,
Chairman.

BEN TILLET,
General Secretary D. W. R. and G. W. U.

JOHN HODGE,
General Secretary B. S. S. and M. U.

IVOR H. GWYNNE,
General Secretary T. and S. M. U.

WILL THORNE,
General Secretary G. and G. L. U.

JUNE, 1905.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 17

HEARINGS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

ON

H. R. 18642

**A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909**

FIRST PRINT

THURSDAY, FEBRUARY 29, 1912

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

WELDON B. HEYBURN, Idaho.

ROBERT M. LA FOLLETTE, Wisconsin.

JOSEPH W. BAILEY, Texas.

F. M. SIMMONS, North Carolina.

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JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, *Clerk.*

W. B. STEWART, *Assistant Clerk.*

II

D. OF D.
MAY 6 1912

THURSDAY, FEBRUARY 29, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10.30 o'clock a. m.

Present: Senators Penrose (chairman), Lodge, McCumber, Smoot, Simmons, Williams, and Johnson.

STATEMENT OF MR. GEORGE A. BARTLETT, OF RENO, NEV.

Mr. BARTLETT. Mr. Chairman, I desire to present a statement on behalf of the principal companies engaged in the quicksilver industry of the United States, protesting against the proposed reduction of the rate on quicksilver. This document is full of information on the subject and I desire it to go in the record for the information of the committee in considering paragraph 58.

The CHAIRMAN. The document will be received and printed as part of your statement. Have you anything to add to it?

Mr. BARTLETT. I believe, Mr. Chairman, that the statement is so complete that amplification of it is unnecessary. It contains a number of pages showing the production of quicksilver in this country, its price during various periods, and the rates of wages paid in this country where quicksilver is produced, in California and in Texas. It does not give the rate of wages in Nevada, which is somewhat higher than that in California. There are only two small quicksilver mines in Nevada, the present production being in California and in Texas. The wage scales of those sections, as compared with those of the foreign countries where the wage scale is about one-third our own, are also shown in this statement. In fact, I believe the document contains ample information for the committee, and in my judgment it warrants the request they make for the old rate of 10 cents per pound.

I therefore submit the document for your consideration.

The paper above referred to is as follows:

FEBRUARY 13, 1912.

**The CHAIRMAN AND MEMBERS
OF THE COMMITTEE ON FINANCE,
*United States Senate.***

GENTLEMEN: The undersigned, being all of the principal quicksilver producers of the United States, wish to enter our protest against the proposed reduction in the duty on quicksilver from a specific duty of 7 cents per pound as at present to an ad valorem duty of 10 per cent. In 1894 the duty was reduced from 10 cents per pound to 7 cents per pound, and since that time it has been a constant struggle for existence with the few remaining producers of quicksilver in this country. A further reduction in duty at this time would be a deathblow to the industry. Quicksilver is commercially produced in this country only in one State—California—with the exception of one producer in Texas. In 1902 there were some 20 producers of quicksilver in the United States; to-day there are less than 10 of consequence left. In 1902 the production of quicksilver in this country was 34,000 flasks. In 1911 it was 21,000

flasks. During the past 10 years one producer after another has been compelled to succumb and close down his plant, owing to the fact that even when protected by the present duty he has found it impossible to manufacture quicksilver except at so high a cost that it could not meet the foreign competition. The cost of production is steadily increasing as our mines become deeper and will continue to increase. Our percentage of ore has grown constantly less each year, necessitating the handling of an ever-increasing tonnage of rock to afford the same production. Wages of all our miners, laborers, and mechanics have increased largely. The average percentage of our ore to-day is one-half of 1 per cent. In 1890 it was 2 per cent, and in 1870, 5 per cent. The only two other countries producing quicksilver to any extent are Spain and Austria. The Almaden mine of Spain and the Idria mine of Austria are extremely rich, their ore averaging 10 per cent. The wages paid their laborers are hardly one-third the wages paid in the United States.

The annual production of these two foreign mines is three times the total production of the United States. This foreign output of quicksilver is controlled absolutely by a foreign monopoly, the Bankers Rothschilds, who dictate the price in London for the world. This they have done for over half a century, and until the discovery of quicksilver ore in California they had a monopoly of the quicksilver business of the world. The only thing that prevents their having it to-day is the California mines, and should our few remaining mines be forced to close the consumers of quicksilver in this country would be absolutely at their mercy. In 1850 the price of quicksilver was \$114 per flask. In 1853, only three years after the discovery of quicksilver ore in California, the price was \$55 per flask, and ever since then has averaged from \$35 to \$45 per flask. Quicksilver is an article which is used only for specific purposes within narrow limits, and the price has little to do with the amount of consumption. A lower price would not extend its uses, which are confined to amalgamation of gold and silver ores, the manufacture of vermilion, mercurial preparations, and fulminating powder. We know that in the past, and believe it is a fact to-day, that the great majority, if not all, of the consumers of quicksilver in this country wish a sufficient duty kept on this article not only to enable the present American mines to keep in operation, but also to encourage and stimulate new production, so that the American production shall keep pace with the home consumption, and so that the American production shall not be either entirely obliterated or so reduced in quantity that the Rothschilds shall again dominate the quicksilver market of this country as they do in the rest of the world.

The margin of profit to the American producers is very narrow, and it is possible for them to make profit at all only by the installation of modern and expensive equipment and machinery and the exercise of the most rigid economy, and even then many producers after struggling a few years have not been able to survive, but have suspended operations, and these plants are now idle and others will surely follow unless they have sufficient protection.

The amount of quicksilver now produced in this country is just about equal to its needs. The quicksilver mines of this country are struggling for existence, because of the low prices existing and the ever-increasing cost of production and, were lower prices to come, would have to succumb to foreign competition.

The rich ore in the mines of California has been used up, and at the present time they are producing only low-grade ore. The condition of the quicksilver industry to-day affords absolutely no encouragement to capital to attempt the opening of new mines. With the steady falling off in production during the past 10 years, it is a self-evident fact that it is only a question of time when the production shall altogether cease unless sufficient protection is afforded the industry. We are protected at the present time by a duty of 7 cents per pound, which we consider insufficient, and believe that in order to maintain the American production even at the present rate the amount of duty should be restored to the old rate of 10 cents per pound. The foreign mines are owned by governments, our own mines by individual citizens. As a real American industry, in competition with cheap labor in Europe and affording a good livelihood to a large number of workmen, it would seem that it has some claim to recognition. Our industry is an exceptional one subject to no principle or argument except that of nature's first law, self-preservation.

Respectfully presenting these facts for your kind consideration, we have the honor to be,

Yours, very respectfully,

VALLEJO QUICKSILVER MINING CO.
ST. JOHNS QUICKSILVER MINING CO.
HELEN QUICKSILVER MINING CO.
NEW ALMADEN QUICKSILVER MINING CO.,
By D. NORRIS, *President*.
NEW GUADALUPE QUICKSILVER MINING CO.,
By H. C. DAVEY, *President*.
GREAT WESTERN QUICKSILVER MINING CO.,
By E. W. NEWHALL, *President*.
OCEANIC QUICKSILVER MINING CO.,
By F. W. BRAUN, *President*.
NEW IDRIA QUICKSILVER MINING CO.,
By H. C. BUCKMINSTER, *Secretary*.
CHISOS QUICKSILVER MINING CO.,
By HOWARD E. PERRY, *President*.

PRICE OF QUICKSILVER.

In 1850, when quicksilver was first produced in California, the ruling price per flask in the London market was \$114, or \$1.50 per pound. It is now about \$42 per flask in New York market, or 56 cents per pound. During the 62 years of California's production the price has, in the main, been steadily declining.

Production of quicksilver in California (in flasks of 75 pounds).

	Flasks.		Flasks.
1850.....	7,723	1895.....	36,067
1855.....	33,000	1900.....	26,317
1860.....	10,000	1905.....	24,635
1865.....	53,000	1906.....	20,310
1870.....	30,000	1907.....	17,431
1875.....	50,250	1908.....	16,984
1880.....	59,926	1909.....	16,078
1885.....	32,073	1910.....	18,596
1890.....	22,926	1911.....	18,500

1034 DUTIES ON METALS AND MANUFACTURES OF METALS.

Production of quicksilver in Texas (in flasks of 75 pounds).

The first production in Texas was in 1899.

	Flasks.		Flasks.
1899.....	1,000	1905.....	4,723
1900.....	1,800	1906.....	4,761
1901.....	2,932	1907.....	3,686
1902.....	5,319	1908.....	2,383
1903.....	5,029	1909.....	4,188
1904.....	5,336	1910.....	3,282

COMPARISON OF FOREIGN AND AMERICAN WAGES.

Foreign wages.

	Per day.		Per day.
Miners.....	\$0.81	Timbermen.....	\$0.55
Masons.....	1.03	Furnacemen.....	.40

Wages paid in California.

	Per day.		Per day.
Miners.....	\$2.25-\$2.75	Blacksmiths.....	\$3.25
Laborers.....	2.00	Machinists.....	3.25
Timbermen.....	2.50-2.75	Electricians.....	3.00
Furnacemen.....	3.00		

Total foreign production of quicksilver, 1903-1910.

	Tons.		Tons.
1903.....	2,406	1907.....	2,573
1904.....	2,559	1908.....	2,624
1905.....	2,300	1909.....	2,587
1906.....	2,972	1910.....	2,696

Total production of quicksilver in United States, 1903-1910.

	Tons.		Tons.
1903.....	1,237	1907.....	734
1904.....	1,188	1908.....	672
1905.....	1,036	1909.....	717
1906.....	892	1910.....	701

Showing that, while the foreign production has held steady, the American production has fallen off nearly 50 per cent.

Imports of quicksilver into the United States, 1905-1911.

Year.	Quantity.	Value.
	<i>Flasks.</i>	
1905.....	36	\$1,710
1906.....	1	45
1907.....	220	6,719
1908.....	200	8,216
1909.....	213	8,203
1910.....	9	351
1911.....	5,500	220,000
1912 (to Feb. 10).....	1,000	4,200

Exports of quicksilver from the United States, 1905-1911.

Year.	Quantity.	Value.
	<i>Flasks.</i>	
1905.....	13,534	\$499,750
1906.....	6,456	243,914
1907.....	5,132	192,004
1908.....	2,986	124,930
1909.....	6,802	268,343
1910.....	1,923	91,077
1911.....	350	14,000

**STATEMENT OF MR. C. M. VOORHEES, OF COLUMBUS, OHIO,
REPRESENTING THE COLUMBUS FORGE & IRON CO. AND
OTHERS—Continued.**

Mr. VOORHEES. Mr. Chairman and gentlemen of the committee, yesterday I introduced the subject of wrought anvils made in this country, and I have prepared a brief on the subject. With your permission I will submit it, and leave it with the stenographer, so that it may be incorporated.

The CHAIRMAN. The brief will be received and printed.

The brief referred to will be found at the end of Mr. Voorhees's statement.

Mr. VOORHEES. There are some matters that I wish to speak of more fully; and with your permission I will take up my brief and elaborate on any matter that may be of more importance than others.

In order that there may not be too much duplication in the record of what I stated yesterday and what I have in my brief, I will relate part of the history of the anvil business in this country.

Prior to the McKinley law, which provided for a rate of duty of 2½ cents per pound on anvils imported into this country; wrought or forged anvils of iron or steel were not manufactured in this country. All such anvils in use in this country were imported from England or Germany. The Peter Wright anvil, made in England, was the best known and more generally used anvil throughout the United States. The Trenton anvil, made in Germany, was the next best-known anvil at that time. It is with these anvils as a standard that all American-made wrought anvils are compared by users of such an article.

Within a few years there has appeared in the American market an imported Swedish cast-steel anvil, made in Sweden, and claimed to be made of solid steel, made from Swedish charcoal iron. I will state that I have a circular issued by one of those companies, making certain claims as to the ingredients of their anvil and its good qualities.

The manufacture of wrought anvils in this country was made possible by the encouragement given this industry under the McKinley and Dingley tariff schedules; and under the rate of duty allowed under those schedules the competition with imported anvils was very sharp. The records of importations show that.

The CHAIRMAN. Is this a product that it is difficult to manufacture?

Mr. VOORHEES. It is, Mr. Chairman. It requires skilled labor. I will state further, going somewhat into detail, as I state in my brief, that we can not make in this country a cast-steel anvil that will compete with the Swedish cast-steel anvil now imported into this country.

The CHAIRMAN. In what respect are they superior to the American product?

Mr. VOORHEES. Their raw material has peculiar properties which, together with the lower cost of labor, enables them to manufacture their anvils for less than the American manufacturers of wrought anvils can furnish the same product for.

Senator SMOOT. If anvils came in free, would your industry exist?

Mr. VOORHEES. Indeed it would not, Senator.

Senator SMOOT. We heard yesterday that any industry that can not exist in this country without a tariff is a hothouse industry. Do you think your industry is a hothouse industry.

Mr. VOORHEES. I do not; but I say that it can not exist without the encouragement it receives under a tariff schedule. We never manufactured a wrought anvil in this country until we received encouragement under the McKinley law.

The CHAIRMAN. Prior to that had there been any duty on these anvils?

Mr. VOORHEES. There has been a duty, but my knowledge of the subject does not go back that far.

Senator SMOOT. It fell in the basket clause then—the general 45 per cent rate?

Mr. VOORHEES. I think there was a duty of 2 cents, but the McKinley law provided a duty of $2\frac{1}{2}$ cents.

The CHAIRMAN. How many men are employed in this industry in the United States?

Mr. VOORHEES. As nearly as I am able to ascertain, about 300.

The CHAIRMAN. Have you filed any statement showing the difference in wages between this country and abroad?

Mr. VOORHEES. I have, Mr. Chairman. That is a part of my brief.

Senator JOHNSON. Do I understand you to say that the duty was 2 cents a pound, and that it was increased in the McKinley bill to $2\frac{1}{2}$ cents, and that that increase of half a cent a pound established this industry?

Mr. VOORHEES. Senator, I will not say that; but——

Senator JOHNSON. That is what you did say. You said it was established by the McKinley bill and the Dingley bill.

Mr. VOORHEES. No; I say it was established under the McKinley law.

Senator JOHNSON. Because of the additional tariff, of course?

Mr. VOORHEES. On account of the rate given at that time.

Senator JOHNSON. Then, I say, the increase of half a cent a pound was the thing that established the industry. It could not exist without that slight increase?

Mr. VOORHEES. Yes; it could. But I say that was the inducement.

Senator JOHNSON. That was not what you said. You gave the matter a partisan bias and stated that it was due to the McKinley and the Dingley bill; and appearing as a witness before us with that bias, you gave utterance to it. Now, was it true that the increase of half a cent a pound was what established this industry?

Mr. VOORHEES. In answer to you, Senator, I can only give the historical fact that we did not manufacture wrought anvils in America until under the McKinley law. But I do not claim that it was the half-cent increase that made it possible. My contention is that we could have manufactured them under the duty of 2 cents prior to the McKinley law, but we did not do it. That is the fact. I am simply reciting the facts. I do not know why we did not, but it is a fact that we did not manufacture them prior to 20 years ago.

Senator WILLIAMS. You do not say now that the tariff had anything to do with that fact?

Mr. VOORHEES. I do, Senator. Without the tariff we could not have manufactured wrought anvils in America in competition with the English-made anvils and the German-made anvils at that time.

Senator WILLIAMS. What was the duty prior to the McKinley bill; 2 cents a pound?

Mr. VOORHEES. Two cents a pound.

Senator WILLIAMS. What was it after the passage of the McKinley bill?

Mr. VOORHEES. Two and a half cents a pound; that is, the McKinley bill provided a duty of 2½ cents a pound.

Senator WILLIAMS. And you say the half cent made the difference?

Mr. VOORHEES. No; I do not, Senator. I do say that as a historical fact the anvils were first manufactured here then.

Senator WILLIAMS. Then, you do not now say that that half-cent increase created the industry?

Mr. VOORHEES. I do not say that; no, Senator.

Senator SMOOT. But you do say that the 2 cents, or whatever rate was given under that tariff, was the cause of starting the business in this country?

Mr. VOORHEES. Yes, sir.

Senator JOHNSON. That is what I understood you to say—that the increase of half a cent established the industry, started it.

Mr. VOORHEES. I did not wish to be understood in that way, because that is not my contention.

Mr. Chairman, you asked me in reference to the scale of wages in this industry abroad as compared with the United States. I will state that I have the best available information on that subject, and I will give it. I have here a statement of the wages paid in the United States per week of 50 hours (50 hours being considered a week), classified by name:

Heater.....	\$17. 00	Boy (hammer boy).....	\$10. 00
Hammerman.....	17. 00	Average per day.....	3. 57
Fireman.....	12. 00	Horn drawers:	
Helper.....	12. 00	Blacksmith.....	26. 00
Hammer driver (boys).....	9. 00	Two helpers, at \$18.....	36. 00
Average per day.....	2. 25	Average per day.....	3. 50
Anvil makers.....	34. 00	Grinders.....	15. 00
Two helpers, at \$20 each.....	40. 00	Average per day.....	2. 50

Average wages for all classes, \$1.82 per day, or 20 cents per hour at 9 hours per day. That is in the United States.

The wages paid in Sweden, estimated at 53 hours per week, are as follows:

Furnace men.....	\$4. 50-\$5. 75	Machinists.....	\$5. 00-\$7. 00
Blacksmith.....	7. 00- 8. 50	Grinders.....	7. 00
Blacksmith helpers.....	3. 85- 4. 29	Average per hour.....	. 11
Molders.....	7. 00- 8. 50	Average per day.....	. 99

The blacksmiths' wages in Germany, as per record of the Department of Commerce and Labor of issue of 1909, are \$1.19 to \$1.66 per day for forgers, as against American wages of \$2.25 to \$3.57. Board and lodging are 24 cents per day in Germany and \$1 per day in America.

The record of importations of anvils into the United States from 1894 to 1911, closing with the fiscal year 1911, shows that with a reduction in the rate of duty in 1895 under the Wilson law to 1½ cents per pound, the importations increased over those of 1894 from 736,915 pounds to 1,161,511 pounds. That was in 1895. In 1896 it was 1,064,452 pounds. The importation into this country under the Dingley law at the rate of 1½ cents per pound, from 1898 to 1907, averaged about 600,000 pounds per year. In 1907 the importation amounted to 709,749 pounds. The year 1907 was a normal one in the

anvil business in America. The so-called panic of 1907, in the fall of that year, did not affect the manufacture of anvils until 1908. I take 1907 for the reason that it was a normal year, and make comparison with that year and the fiscal year 1911, ending June 30 last.

As I stated before, the importations of 1907 were 709,749 pounds. The importations for the fiscal year ending June 30, 1911, were 1,310,863 pounds. The approximate number of pounds of anvils manufactured in America during the year 1907 was 3,000,000. The approximate number of pounds manufactured in America in the year 1911 was 2,800,000—a falling off of 400,000 pounds of anvils made in this country. The increase in importation between the year 1907 (which I said was a normal year) and the fiscal year ending ending June 30, 1911, was 601,114 pounds.

Senator WILLIAMS. How much money does that represent?

Mr. VOORHEES. That would represent from \$30,000 to \$35,000.

Senator WILLIAMS. What was the duty while that was going on?

Mr. VOORHEES. The duty in 1907, under the Dingley law, was 1½ cents per pound. In 1911, under the Payne-Aldrich law, it was 1½ cents per pound—a reduction of one-fourth of a cent per pound.

The value of the imported anvils for the fiscal year ending June 30, 1911, was \$66,771. The value per unit of quantity—that is, per pound—was 5 cents and 1 mill. The ad valorem rate of duty (that is, considered on the ad valorem basis) on the importations of the fiscal year ending June 30, 1911, was 31.95 per cent. The proposed reduction, placing it on an ad valorem basis of 15 per cent, would make it less than one-half that amount.

One matter that I mentioned yesterday was in reference to the possibility of the Swedish anvil coming into this country in open competition with the American anvils. It is estimated that they can be produced at 5 cents a pound. Under a duty of 15 per cent ad valorem they would come into this country at New Orleans for \$5.75 for a 100-pound anvil (I take that as the standard simply for illustration); and the freight on that anvil from Stockholm, Sweden, to New Orleans is 30 cents per 100 pounds. The freight on a similar anvil from New York to New Orleans is 40 cents a hundred; the freight from Columbus, Ohio, to New Orleans, is about 25 cents a hundred; and the freight on anvils from Columbus, Ohio, to New York is 27 cents per hundred.

Senator Williams asked me yesterday why they entered at New Orleans. My answer is that that port is the most accessible to the Central States; and on account of the river—though I do not know how many shipments go by the river—they would have advantages in the way of freight rates. We know from actual experience that within the last 10 years our most active competition has come from the Swedish cast-steel anvil, which enters the port of New Orleans more than any other port.

The principal cost of producing American wrought anvils is labor, as the finished product is the result of working over selected scrap iron or the working up of steel billets. That is the course of manufacture of wrought anvils in America. I am more familiar with the manufacture of wrought anvils from selected scrap iron, though in Columbus they are made both in that manner and from steel billets.

We purchase our scrap iron, and of course we are compelled to pay the market price. Our labor has remained at the same figure, even during the depression. We have not reduced our labor at all. Following the panic of 1907, in the early part of 1908, we operated our factory at an actual loss in order to keep together our organization. Anvil makers are not plentiful in this country. Furthermore, an anvil maker who is entitled to receive from \$3 to \$3.50 a day can not earn that as a common forge man because an anvil is a specialty. It is a special forging. When the business is slack we operate our plant at an actual loss in order to keep those men together, so that they will not scatter all over America and get into other occupations, because when we resume we are dependent upon these skilled laborers.

I will state, further, that every one of the employees of the Columbus Anvil & Forging Co. is an American citizen and a resident of the city of Columbus. A majority of them are now young men, 20, 25, or 28 years of age, who grew up in our factory, some of them starting in as hammer boys. I will state, further, that when the manufacturers of the Trenton anvil came to Columbus they brought very few, if any, of the employees from Germany. Instead, the gathered up employees, taking some from my friend, Mr. Hay, of Brooklyn, and, starting with them as a nucleus, they educated young American boys of Columbus into anvil makers and special forge men. There are with that company to this day many of those who started with them when they were organized. The superintendent of the Columbus Anvil Forging Co. started with the Columbus Forge & Iron Co., where he learned his trade as an anvil maker; and he is now the superintendent of the Columbus Anvil Forging Co.

We never have had any labor difficulties of any kind; and as I stated before, we always have paid the best price we could for our labor, because it is skilled. An inferior workman would do a great deal of damage in this way: There are defects about an anvil which are latent, and that is one of the costs of operation. In our factory—and I know that other factories in this country have the same experience—we have anvils returned to us sometimes from the State of Washington, from all of the Northwestern States, and even from Alaska and California and far-distant points like that, because of some latent defects, which develop only after using them some length of time, and show that the anvil is defective, and that it must of necessity be returned in order to be repaired, or be entirely destroyed.

Some of these defects arise in the welding of the steel face of the anvil to what we call the top. An anvil is made, according to our plan, in two pieces, the base, and what we call the top. The top includes the horn. On the top is welded crucible steel, the best that the American market affords. In welding the steel face to the top of the anvil, defects sometimes develop. For instance, there may be some foreign material between the steel and the iron which will prevent a complete weld, and will not show up for some time. When it does show up, the anvil will have to come back to our factory; and when it has to be returned to us we are charged with the freight going out to California and the freight coming in. If we had to return that particular anvil, we would have to stand the freight again. Very often the freight almost exceeds the original cost of the anvil shipped in that manner.

There is another thing I wish to speak of in reference to the American-made anvils, and also in reference to anvils in general, prior to the manufacture of American anvils. I am speaking now of wrought anvils, you understand, to distinguish them from cast-iron anvils, which by mistake I called "cast-steel" anvils yesterday, made in America. I have here one of their circulars on the subject. That is an anvil, as I said yesterday, that is used for lighter work, and is not in open competition in the American market with the English or German or Swedish-made anvils. The anvil used for heavy work in this country of necessity must be a wrought anvil; and we have in competition the Swedish cast-steel anvil.

Senator JOHNSON. Do you make any cast-steel anvils?

Mr. VOORHEES. No, sir. Ours is a wrought anvil. As I stated before, we have not been able in this country to make a cast-steel anvil in competition with the Swedish cast-steel anvil, on account of the fact that their raw material has peculiar properties which go to make up a better cast-steel anvil than we can produce. That is, our cast-steel anvils will not stand the heavy work.

Senator WILLIAMS. That is owing to the character of the Swedish ore?

Mr. VOORHEES. More than anything else, Senator. I will read you just a little of their statement in reference to the properties of their ore. This is a folder from one of the largest importers of Swedish cast-steel anvils, one brand of which is called the "Cisco Superior":

These anvils are made in Sweden of solid steel. The steel is made from the famous Swedish charcoal iron, long recognized as the finest steel base in the world.

As I say, that is their statement; and I will say this: To a large extent the American manufacturers are compelled to concede that.

As I was saying, another fact has grown up in America in reference to wrought anvils since the American manufacturers have made wrought anvils, and that is the matter of the guaranty. All wrought anvils made in America are made with a guaranty against defects—that is, defects arising from the weld at the face coming loose, or the weld at the waist. As I stated before, an anvil is made in two parts, the base and the top; and at a certain stage of their manufacture they are welded together. Many times that weld proves faulty, and the anvil breaks in two. Of course then it can not be used, and it is returned to us for repair. I will state that an anvil can be repaired when it breaks in two at the waist, but it is necessary to put it through the fire again. It can be repaired and made just as good as it was in the beginning. But the freight from the user to our factory and back again, under our guaranty, is something that we have to stand.

There are some slight defects in the mind of the critical blacksmith that our guaranty does not cover; but in the case of such defects as the face coming loose, or the anvil breaking at the waist, our guaranty requires that we shall replace the anvil with a new one, or repair the defective one so as to make it as good as new.

Such a guaranty was not in existence in this country prior to the manufacture of the American wrought anvil. Prior to that time anvils were sold in America without any guarantee.

We do not think the class of labor required in the manufacture of wrought anvils in this country is overpaid. Neither do we think they should suffer a reduction in their wages. As I stated before,

the making of anvils is a specialty. If these men are thrown out of this kind of work, they will have to take up some other kind of work at a much less wage, because they are specially trained.

The CHAIRMAN. Mr. Voorhees, you have these statements in your brief, have you?

Mr. VOORHEES. I have, Mr. Chairman, to a large extent. I have been elaborating on the brief.

The CHAIRMAN. You have taken considerable time; and while we do not want to hurry you, there are a number of gentlemen here who want to be heard this morning.

Mr. VOORHEES. I wish to thank you for your very kind attention. I will state that Mr. Hay is here, of the Hay-Budden Manufacturing Co., of Brooklyn, who are the oldest and the largest manufacturers of wrought anvils in this country, and were the manufacturers of the first wrought anvils made in America.

The CHAIRMAN. The committee will hear Mr. Hay briefly. I think the committee understands this question very thoroughly.

The brief submitted by Mr. Voorhees is as follows:

IRON ANVILS OF WROUGHT IRON OR STEEL.

H. R. 18642.—An act to amend an act entitled "An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," approved August 5, 1909.

Paragraph 17 of the dutiable list provides as follows:

Anvils of iron or steel, or of iron and steel combined, by whatever process made, or in whatever stage of manufacture, fifteen per centum ad valorem.

Prior to the McKinley law, which provided for a rate of duty on anvils imported into this country 2½ cents per pound, wrought or forged anvils of iron or steel were not manufactured in this country. All such anvils in use in this country were imported from England or Germany. The "Peter Wright" anvil, made in England, was the best known and more generally used anvil throughout the United States; the "Trenton" anvil, made in Germany, was the next best known anvil at that time. It is with these anvils as a standard that all American-made wrought anvils are compared by users of such an article. Within a few years there has appeared in the American markets an imported Swedish cast-steel anvil, made in Sweden, and claimed to be made of solid steel made from Swedish charcoal iron.

The manufacture of wrought anvils in this country was made possible by the encouragement given this industry under the McKinley and Dingley tariff schedules, and under the rate of duty allowed under those schedules the competition with imported anvils was very sharp.

Subsequent to the taking effect of the McKinley law the manufacturers of the Trenton anvil discontinued the manufacture of anvils in Germany and established a plant at Columbus, Ohio, and under the name of the Columbus Forge & Iron Co. began the manufacture of wrought anvils.

In 1894 the tariff rate of duty on anvils was 2½ cents per pound, and the importations that year were 736,915 pounds; in 1895 this duty was reduced to 1½ cents per pound and the importations for that year and the succeeding year aggregated over 1,000,000 pounds per

year. In 1898, under the Dingley law, the rate of duty was increased to $1\frac{1}{2}$ cents per pound, and the importations from 1898 to 1907, inclusive, averaged about 600,000 pounds per year. In 1907 the importations amounted to 709,749 pounds.

In 1909 the original Payne bill provided a rate of duty of $1\frac{1}{2}$ cents per pound, the same as the Dingley law. The Senate amendment provided for a rate of duty of $1\frac{1}{4}$ cents per pound, a cut of one-fourth cent per pound, making a lower rate than in 1895 and 1896, when the importations amounted to over 1,000,000 pounds for each of those years. The Senate amendment prevailed and the rate of duty under the Payne-Aldrich law became $1\frac{1}{4}$ cents per pound, and during the fiscal year ending June 30, 1911, the importations of anvils into the United States amounted to 1,310,863 pounds, at a valuation of \$66,771. with an ad valorem value per unit of quantity of 0.051 cent per pound, and an ad valorem rate of duty of 31.95 per cent.

The oldest and largest manufacturer of wrought anvils in the United States to-day is the Hay-Budden Manufacturing Co., of Brooklyn, N. Y.; the second largest is the Columbus Forge & Iron Co., of Columbus, Ohio; the third largest is the Columbus Anvil & Forging Co., of Columbus, Ohio; and there are other manufacturers of American wrought anvils, but they are small, and the record of their product can not be ascertained.

The aggregate number of pounds of wrought or forged anvils manufactured in the United States in the year 1907 was about 3,000,000 pounds, one-half of which were produced in Columbus, Ohio. The aggregate number of pounds of such anvils manufactured in the United States in the year 1911 was about 2,600,000 pounds, a decline of about 400,000 pounds, while the increase in importations for the year 1911 over 1907 was 601,114 pounds, which increase in importations represents between \$30,000 and \$35,000 in valuation, and which increase in importations was due to the reduction in the tariff duty of one-fourth cent per pound under the Payne-Aldrich law, the price of anvils sold by the American manufacturers remaining the same, thereby enabling the American manufacturers to maintain the wages paid for labor.

Under the Dingley law imported anvils were laid down at seaports of the United States at from $\frac{1}{2}$ cent to $\frac{3}{4}$ cent per pound less than American manufacturers can sell their product to jobbers, allowing a fair profit to the manufacturer. Under the Payne-Aldrich law imported anvils came into our seaports at about 1 cent per pound less than the American manufacturers can produce wrought anvils at a fair profit. The only advantage the American manufacturer has over the imported anvil shipped into this country under the present Payne-Aldrich law is the freight rates to the interior, and even this advantage has been lost to a great extent by entry of imported anvils at New Orleans and San Francisco.

The freight on Swedish cast-steel anvils from Stockholm, which is the shipping point for this class of goods to this country, to New Orleans, is 30 cents per 100 pounds; the freight rate from New York to New Orleans is 40 cents per 100 pounds; the freight rate from Columbus, Ohio, to New Orleans is about 25 cents per 100 pounds, and the freight rate from Columbus, Ohio, to New York is 27 cents per 100 pounds.

The principal cost of producing American wrought anvils is labor, as the finished product is the result of working over selected scrap iron or in the working up of steel billets. The manufacture of wrought anvils requires skilled labor, and wages consistent therewith should be paid such labor.

The scale of wages paid to labor in the manufacture of wrought anvils in America in comparison with the wages paid for such labor in Sweden and Germany is as follows:

Wages paid in United States (furnace men, per week of 50 hours).

Heater.....	\$17.00
Hammermen.....	17.00
Firemen.....	12.00
Helper.....	12.00
Hammer driver.....	9.00
Average per day.....	2.25
Anvil makers.....	34.00
2 helpers, at \$20.....	40.00
Boy.....	10.00
Average per day.....	3.57
Horn drawers:	
Blacksmith.....	26.00
2 helpers, at \$18.....	36.00
Average per day.....	3.50
Grinders.....	15.00
Average per day.....	2.50

Average wages for all classes, \$1.82 per day, or 20 cents per hour at 9 hours per day.

Wages paid in Sweden (53-hour week).

Furnace men.....	\$4.50-\$5.75
Blacksmith.....	7.00- 8.50
Blacksmith helpers.....	3.85- 4.29
Molders.....	7.00- 8.50
Machinists.....	5.00- 7.00
Grinders.....	7.00
Average per hour.....	.11
Average per day.....	.99

The blacksmith wages in Germany, as per record of the Department of Commerce and Labor, of issue 1909, is \$1.19 to \$1.66 per day for forgers, against American wages of \$2.25 to \$3.57. Board and lodging per day 24 cents in Germany; board and lodging \$1 per day in America.

This class of labor in America is not overpaid now, and should not be compelled to submit to a reduction; on the contrary, all reasonable encouragement should be given it.

Inasmuch as the principal expense in the manufacture of anvils is for labor, that element would necessarily be the first to suffer by reason of increased importations, which would naturally occur under the proposed reduction by an ad valorem duty of 15 per cent, which is less than half the present duty of 1½ cents per pound estimated on an ad valorem basis.

We can not produce a cast-steel anvil in this country that will compete with the imported Swedish cast-steel anvil on account of the natural advantages of the Swedish ores and the low cost of labor. The Swedish raw material has natural physical qualities that are superior to the American raw material for the purposes of manufacturing cast-steel anvils. Therefore it is apparent that without the advantages of a tariff duty of at least the present rate the American

manufacturers can not compete with the imported anvils and pay the present amount of wages.

Senator WILLIAMS. Mr. Chairman, I have received a couple of letters—I presume the chairman has received similar ones—which perhaps should be put in the record.

The CHAIRMAN. What letters do you refer to?

Senator WILLIAMS. One of them is from George Borgfeldt, of New York, who seems to be in the customs department there, simply asking for various amendments. The other is from the Block Light Co., of Youngstown, Ohio. The gentleman who writes this letter tells the usual story that if we should pass this bill he would have to reduce his labor to starvation wages, and could not live, and would have to buy part of his materials abroad, etc. I think he intended that that should go in the record. I do not know. I just brought the letters so that, being a Democrat and they being on the other side, I could not be accused of not presenting them to the committee.

The CHAIRMAN. They will be presented. After these hearings are closed we will go over the letters very carefully and print only such of them as present new facts.

Senator WILLIAMS. Very well. Then I will take that as a guide and will leave the Chair to attend to that matter unless there is something in my correspondence which I desire to have incorporated in the record.

The CHAIRMAN. Certainly. Any member of the committee can have inserted anything he wishes.

STATEMENT OF MR. JAMES HAY, OF BROOKLYN, N. Y., REPRESENTING THE HAY-BUDDEN MANUFACTURING CO.

Mr. HAY. Mr. Chairman and gentlemen, I should like to state that I was the first manufacturer of wrought-iron anvils in this country, and of course it was through the protection afforded by the tariff that we were able to make them. I should like to state, also, that we are to-day making a solid forged-steel anvil that we are putting on the market in such a way that we hope to be able to compete even with the Swedish anvil. As Mr. Voorhees has just stated, the wrought-iron anvil has defects in regard to the steel becoming loose and the weld at the waist becoming loose. We have a patented process whereby we can make a solid steel anvil in one piece from a forging.

That is about all I can say in regard to the matter. We expect at a future date to be able to compete with foreign-made anvils. But I trust the committee will not reduce the duty, as it is low enough now.

STATEMENT OF MR. CHARLES D. FORSYTH, OF PHILADELPHIA, PA., REPRESENTING THE NATIONAL UMBRELLA FRAME CO., OF PHILADELPHIA.

The CHAIRMAN. This is a question concerning which there is much misunderstanding. I think Mr. Forsyth can explain it to the committee in a very short time.

Mr. FORSYTH. Mr. Chairman and gentlemen, the paragraph in the bill applying to our industry is on page 13, paragraph 39, and reads as follows:

Umbrella and parasol ribs and stretchers, composed in chief value of iron, steel, or other metal, in frames or otherwise, and tubes for umbrellas, wholly or partially finished, thirty per centum ad valorem.

That applies, as we understand, to the ribs and rods and frames but not to the umbrella furniture.

There is a sample, gentlemen, of what we call a solid rib, made of round wire [producing samples]. Here are the paragon ribs, made of Swedish steel, which enter into the better class of umbrellas. Here is the paragon frame, and this is the solid frame. Here are the rods.

The CHAIRMAN. What do those frames sell for, Mr. Forsyth?

Mr. FORSYTH. This paragon frame, which enters into the better class of umbrellas, is sold for 12½ cents ready to put on the handle and the cover.

The CHAIRMAN. An umbrella that is covered on that frame would sell for about what price to the consumer?

Mr. FORSYTH. To the consumer, for anywhere from about 80 cents upward.

The CHAIRMAN. Then your product constitutes only 12 cents out of 80 cents or \$1 or \$1.50 in the price of the covering?

Mr. FORSYTH. I might say up to \$30, if you please, because it is the handle and the cover that make the price.

The CHAIRMAN. I want to bring out the idea that this industry, which is a very important one, involving some dozen concerns, manufactures a product that is a very insignificant part of the cost of the umbrella.

Mr. FORSYTH. This frame sells for about 8½ cents, made of solid round wire.

Senator McCUMBER. That includes the handle that you have with it, does it?

Mr. FORSYTH. That includes the rod, Senator.

The CHAIRMAN. In other words, if this duty were completely abolished, or if it were doubled, it would hardly affect the price of an umbrella to the extent of a cent?

Mr. FORSYTH. If all our plants were closed and all of this foreign material were to come in, it would not make a revenue under this bill, as far as I can figure it out, of more than a couple of hundred thousand dollars. Do I make that clear?

The CHAIRMAN. Go on in your own way now, Mr. Forsyth, and make any statement you wish to the committee.

Mr. FORSYTH. Here is the condition, gentlemen: There is a steel rod five-sixteenths of an inch in diameter which is made out of sheets rolled and brazed and hard soldered, and I doubt if you can purchase to-day, in carload lots, welded iron pipe of that length for the price at which we sell this finished product.

Senator WILLIAMS. Why is that?

Mr. FORSYTH. That I can not answer, Senator. There is the result. That rod is sold for about 2½ cents; and if you will look into it I doubt if you can buy a piece of one-eighth iron pipe the length of that welded rod for that price.

Senator WILLIAMS. And you can not explain why that is?

Mr. FORSYTH. No; I can not.

I am very sorry, gentlemen, that I have not an elaborate paper here to read to you, as some of my predecessors have had. I did not come prepared for that. This is my first experience before a body of this kind; but I will answer any question I can. There is the product. That is all I can say to you.

Senator McCUMBER. What is the value of all of the product of the United States in this line?

Mr. FORSYTH. Senator, for three years, as nearly as we could get at it, we took the average, and it did not exceed \$1,000,000 for umbrella ribs, rods, and furniture.

Senator McCUMBER. The proposed duty is 30 per cent is it?

Mr. FORSYTH. Thirty per cent; yes, sir. We have always enjoyed 50 per cent duty, and I do not see how it is possible for us to exist for less than that.

Senator WILLIAMS. The item of labor is your trouble, is it not?

Mr. FORSYTH. I think it is; yes, sir.

The CHAIRMAN. Are there many importations of these rods and frames?

Mr. FORSYTH. There are very few importations of rods, Senator. This is purely an American product. I think if any of you gentlemen have been abroad and have purchased umbrellas there, you have gotten them all mounted on shanks or wooden sticks. Most of them are made in this country on the steel rod. It makes a neater umbrella and a very much better finish.

Senator WILLIAMS. A moment ago you said you had one of your products there that was made of Swedish iron.

Mr. FORSYTH. Yes, sir. That is the paragon wire. That is what makes this rib.

Senator WILLIAMS. Does the Swedish iron have to be imported?

Mr. FORSYTH. Yes, sir. That is the material [indicating].

Senator WILLIAMS. I will not know much more about it after I see it than I did before.

Mr. FORSYTH. You would, right away, if you should see them together.

Senator WILLIAMS. My point is, what part of this do you import?

Mr. FORSYTH. All of this that is grooved. We import that in the Swedish rod.

Senator WILLIAMS. You import it in the crude iron form?

Mr. FORSYTH. In the crude, in the rod; yes, sir.

Senator WILLIAMS. So that this is made out of Swedish ore?

Mr. FORSYTH. All of it has to be made out of Swedish rods, except this little lap here, and this little fork, and this cap here, and that piece of wire [indicating].

Senator WILLIAMS. So you have the trouble of importation to contend with, too?

Mr. FORSYTH. We have that to some extent; yes, sir.

What is known as umbrella furniture, gentlemen, is the runner here, this notch on the end, this case rim, the cap that is underneath it, and this wedge.

The CHAIRMAN. You only make the frame?

Mr. FORSYTH. No, sir; we make all of it.

The CHAIRMAN. Do you make the handle?

Mr. FORSYTH. No, sir. We make the rods, the ribs, and the furniture.

The CHAIRMAN. All the metal parts?

Mr. FORSYTH. All the metal parts.

The CHAIRMAN. Then you sell it to the manufacturer of umbrellas, who assembles the other materials?

Mr. FORSYTH. The umbrella manufacturer is merely an assembler. A great many of them buy the frames complete. There are others who buy them knocked down, and put them together.

Senator WILLIAMS. Then they clothe them and put the handle on them, do they?

Mr. FORSYTH. What they do is merely to put the cover and the handle on them, those being the expensive parts.

Senator WILLIAMS. And you say a thing like that costs $8\frac{1}{2}$ cents?

Mr. FORSYTH. I will give you the exact figure, sir.

Senator WILLIAMS. I was wondering how the finished umbrella came to cost so much.

Mr. FORSYTH. The solid frame, or the cheap frame, is sold for $8\frac{1}{2}$ cents. The paragon frame is sold for $11\frac{1}{2}$ cents. Perhaps this would give you a little better idea of the position we stand in to-day. We could not add one cent to the price of that frame; it would allow the foreign goods to enter the market.

Senator WILLIAMS. Let me ask you something. About the cheapest umbrella I can buy is one that sells for a dollar. I generally buy the cheapest I can get. I always ask for the cheapest, because I lose it before it wears out. What is the cause of the immense difference between the price of that umbrella and the materials that enter into it? There is your $8\frac{1}{2}$ or 11 cents. After that, the cheapest handle will cost about how much?

Mr. FORSYTH. I think this [indicating] is about as cheap a handle as is made. I really am not at all familiar with that part of the industry. But our customers, the manufacturers, tell us that they sell for about $62\frac{1}{2}$ cents—the kind of umbrella that you speak of buying for about \$1.

Senator WILLIAMS. Even at $62\frac{1}{2}$ cents, have you any approximate idea of what that handle would cost?

Mr. FORSYTH. You mean this wooden handle?

Senator WILLIAMS. Yes.

Mr. FORSYTH. No; I have not. That is not in our line, Senator.

Senator WILLIAMS. Have you any approximate idea of the cost of the commonest sort of a gloria cover that goes on an umbrella of that sort?

Mr. FORSYTH. No, sir; I have not. That is entirely out of my line. We produce only the metal part.

Senator WILLIAMS. But after you put the metal part in it, which is the part that involves a good deal of labor and a good deal of manufacturing and a very slight amount of raw material, you charge the final product with only about 11 cents, even for the best thing that you produce?

Mr. FORSYTH. Yes, sir; and that very article enters into an umbrella that you would pay up to any old price for. The price is due to the handle and the cover.

Senator McCUMBER. With a celluloid handle, a silk covering, and a little nickel-plated ferrule around some part of it, that would be about a \$5 umbrella, would it not?

Senator WILLIAMS. Oh, yes; some of them bring \$20. But I am talking about the cheapest umbrella you can buy. My experience all over the United States is that I have never been able to get one for less than \$1. Generally, when I go into a store and ask for the cheapest possible umbrella, they say the price of it is \$1.25; and then I lose it by the time the next rain comes along.

Mr. FORSYTH. You are a pretty good customer for us. We like that kind of people.

I see umbrellas with this cheap frame for sale in shops for about 50 cents, I think; but the cover on them is a pretty mean affair.

Here is an umbrella that I picked up in one of our customer's shops, just to bring down here with me. That has a fair silk cover on it. It is a cheap affair, but they sold it to me for \$1.25. Of course, that is the wholesale price, but that umbrella has a silk cover.

Senator WILLIAMS. Is it gloria silk or real silk?

Mr. FORSYTH. Now, you are asking me one question too many. I am not in that end of it at all. But they have a very lean industry. When those gentlemen come before you I hope you will give them some consideration. What do you suppose their profits are per piece?

Senator WILLIAMS. I have no idea; but you say you do not know much about their business.

Mr. FORSYTH. I know only what they tell me and what I gather from our experience with them. They tell me that their profits per piece do not exceed 3 cents.

Senator WILLIAMS. On an umbrella?

Mr. FORSYTH. On an umbrella; yes, sir.

Senator WILLIAMS. And yet they sell for 62½ cents the umbrella I buy for \$1.

Mr. FORSYTH. Yes, sir. It is a very lean business.

Senator McCUMBER. That includes the cost of the handle, and the silk that is used, and the labor? That makes up the balance of the 62½ cents, or whatever it may be?

Mr. FORSYTH. Yes, sir.

The CHAIRMAN. How many concerns manufacture these frames?

Mr. FORSYTH. There are five concerns manufacturing ribs and stretchers; there are five manufacturing rods; there are about eight manufacturing furniture; and there are about three or four rod plants idle.

Senator WILLIAMS. Where are they chiefly situated?

Mr. FORSYTH. In Philadelphia. There are three that manufacture ribs and rods; and of those three there are two that are actually manufacturing.

Senator WILLIAMS. The object of my question was to find whether they were situated mainly on the seacoast or in the interior.

Mr. FORSYTH. There are none of them in the interior.

Senator WILLIAMS. So they are right on the seacoast, where, if there were any foreign competition, they would feel it?

Mr. FORSYTH. Yes, sir.

Senator WILLIAMS. The water freight rate would be a slight thing.

Mr. FORSYTH. The cost of this material has been very much reduced since 1901. The selling price of the ribs has been reduced in that time about 25 per cent. These rods, before I was connected with the industry, sold as high as \$18 a gross. They now net us about \$4.30. I think if any of you gentlemen have bought an umbrella abroad recently, you found that you paid as much for that umbrella abroad as you do in this country, and you did not get nearly so good an article.

Senator WILLIAMS. If that is the case—I do not know, of course; I do not often get an opportunity to go abroad—but if we are paying as much for umbrellas abroad as we are here and are not getting as good an umbrella, why can you not stand on your own feet, flat-footed, and compete with these people?

MR. FORSYTH. I can not answer that question. I do not know.

Senator WILLIAMS. You do not know?

MR. FORSYTH. I do not know, sir.

Senator McCUMBER. If we should remove this "robber tariff" of about 4½ cents on the cheaper class of product, how much benefit would the consumer get in the purchase of a \$1 or a \$2 or a \$4 umbrella?

MR. FORSYTH. So far as our end of it is concerned, the metal end of it, it would not make 2 cents difference on that frame.

Senator WILLIAMS. But would it not make a difference of 2 cents?

Senator McCUMBER. It would make a difference of 4 cents if it was 50 per cent. If the tariff was 50 per cent, assuming that it was added to the cost of the product, it would be about 4 cents, would it not?

MR. FORSYTH. I can not figure that out, sir.

Senator WILLIAMS. Suppose, just for the sake of argument, that it was 4 cents; then, if the consumer got that 4 cents, he could not get it unless you lost it in the price, could he?

MR. FORSYTH. What I figure is this: If the goods all came in under the present rate and we were closed up, I can assure you it would not make 2 cents difference.

Senator WILLIAMS. To the Government?

MR. FORSYTH. No; to the consumer—that is, so far as our end of the product is concerned.

Senator WILLIAMS. If it did make 2 cents difference to the consumer, it would make that much difference, would it not?

The CHAIRMAN. It never would reach him.

Senator WILLIAMS. And it could not make that difference unless you had to sell it that much cheaper?

MR. FORSYTH. We could not sell it that much cheaper. We can not reduce the price of the product and sell it that much cheaper. It is impossible.

Senator WILLIAMS. What I am getting at is this: Either the consumer would get a reduction, or you would not be hurt.

MR. FORSYTH. I doubt very much, sir, if he would get a reduction.

Senator WILLIAMS. But what I am getting at is this: Either he would get a reduction, or you would not be hurt—one or the other. If the consumer got a reduction, it would be because you would have to sell at a lower price.

MR. FORSYTH. To be sure.

Senator WILLIAMS. And if the consumer did not get any reduction it would be because you did not sell at a lower price.

MR. FORSYTH. That is quite true.

Senator McCUMBER. Would a matter of 2 or 3 cents be taken into consideration in fixing the retail price of any of these articles?

MR. FORSYTH. No, sir.

Senator McCUMBER. Then the amount would be so small that it would not be considered at all in the retail market?

MR. FORSYTH. Not as far as our end of it goes. Another thing, Senator: We are the people that are obliged to have the expensive equipment that is required to produce these goods. This is all automatic machinery. It is highly specialized machinery. We build it ourselves. We build it in our own places.

Senator WILLIAMS. You have machines to turn out a thing like that?

Mr. FORSYTH. We have machines that perform a number of operations. There are many operations on that article—a very great many operations.

Senator WILLIAMS. I understand; but about how many? One machine will turn out about how much within a given time? And now many men does it take to operate it?

Mr. FORSYTH. It takes a man and a boy to operate one of the machines. It takes an operative to put on that lap, and it takes an operative to do the press work on this fork.

Senator WILLIAMS. Is that done with a machine, too?

Mr. FORSYTH. Oh, it is all done on a machine.

Senator WILLIAMS. The lap and everything?

Mr. FORSYTH. Yes, sir.

Senator WILLIAMS. About how many laps can the machine put on, say, in a day's work of 10 hours?

Mr. FORSYTH. I would have to sit down and do some figuring in order to answer that question.

Senator WILLIAMS. It takes figuring for all these things. I wanted to arrive at some idea as to how much of a factor the day's wage of that man and boy constituted when you took the total product of the machine which they operated.

Mr. FORSYTH. You must bear in mind that this article goes through a great many machines. One machine does not make it.

Senator WILLIAMS. I know that. I am hammering at one of them now. After awhile I am coming to the others.

Mr. FORSYTH. There are a great many operations on this rib, starting with the raw material, the rod, which goes to a rolling mill where it is converted into this flat wire.

Senator WILLIAMS. In order to arrive at what I want I am going to ask you later, when you get home (if you can not do it now), to send to the clerk of the committee, to be put in as a part of your statement, the total amount for which you sold your product in the years 1907, 1908, 1909, 1910, and 1911; also your total wages pay roll for each of those years.

Mr. FORSYTH. You wish me to send you what, sir?

Senator WILLIAMS. The total amount for which you sold your product in 1907, 1908, 1909, 1910, and 1911.

Mr. FORSYTH. I can tell you now. Do you mean our individual plant or all of the manufacturers?

Senator WILLIAMS. I mean just your plant, because you know about that, and you would have to guess at the others.

Mr. FORSYTH. Yes, sir.

Senator WILLIAMS. Then I want your wages roll.

Mr. FORSYTH. For what years?

Senator WILLIAMS. 1907, 1908, 1909, 1910, and 1911. I want your wages roll for each of those years—how much you actually paid.

Mr. FORSYTH. You mean for three years; do you not, sir?

Senator LODGE. No; 1907, 1908, 1909, 1910, and 1911.

Mr. FORSYTH. You want the amount of the pay roll, do you, during that time?

Senator WILLIAMS. Yes. Just give me your weekly pay roll and the annual amount paid in wages.

Mr. FORSYTH. Do you want the weekly amount or the annual amount of the pay roll?

Senator WILLIAMS. I want both.

Mr. FORSYTH. All right.

Senator WILLIAMS. If any amount of what you enter as wages is salaries and overhead charges, I want that kept distinct from the amount paid to the men who are operating the machines and doing the actual work.

Mr. FORSYTH. You want the wages of the operatives independently and separately?

Senator WILLIAMS. Yes.

Mr. FORSYTH. We work 57½ hours a week. We have a half holiday Saturday, and always have had in this business. We give our people a semiannual distribution. That is voluntarily given to them.

Senator WILLIAMS. Include that, but put it separately from the other items.

Mr. FORSYTH. That is what I want to ask—whether you want that to go in there or not, because it amounts to something.

Senator WILLIAMS. Yes; I want it to go in, but I want it to go in under a separate heading of "semiannual distribution." I want you to show the amount that is paid them each year as your semiannual distribution, because I think that is fairly to be considered as a part of your wages.

Mr. FORSYTH. All right, sir. You shall have that.

Senator WILLIAMS. But I want it to appear distinctly and separately.

Mr. FORSYTH. If there is anything else that I can do for you, gentlemen, please let me know.

The CHAIRMAN. I think the committee understand the matter, Mr. Forsyth. I was anxious to have you explain the real nature of this duty, which, in the opinion of many Members of Congress, is on the umbrella instead of on the frame.

Mr. FORSYTH. We have an expensive equipment for this entire industry. You can readily understand that, Senator. You can understand that it takes an expensive equipment to make a product of that kind.

Senator WILLIAMS. I should think some of the machinery that does that work must be pretty delicate machinery.

Mr. FORSYTH. Would you like to have me leave these samples with you?

The CHAIRMAN. You can leave them with the committee, and they will be considered at the proper time.

Mr. FORSYTH. I am much obliged to you, gentlemen, for your attention.

STATEMENT OF MR. FRANK R. VREELAND, OF BAYONNE, N. J., REPRESENTING THE EXECUTIVE BOARD OF THE NEW JERSEY STATE BUILDING TRADES.

Mr. VREELAND. Mr. Chairman and Senators, in appearing before this committee on tariff revision I am acting for the working people who are affiliated with the building trades of the State of New Jersey, somewhere in the neighborhood of 30,000 in number. Those people are directly interested in my appearance here to-day. There are others who are indirectly interested, who are affiliated with our trade organizations in the State, and who I presume would like to have the

same attention given to tariff revision by this committee as I will ask you for.

Senator McCUMBER. The 30,000 are in the State of New Jersey?

Mr. VREELAND. Yes, sir. Those are the ones connected directly with the building trades interests of the State of New Jersey.

Senator McCUMBER. If the matter affects 30,000 people in the State of New Jersey, can you tell how many it would affect throughout the United States?

Mr. VREELAND. No; I could not, directly, as we do not keep the data of our trades organizations within our State organizations. Those figures could be gotten from any of our international organizations.

Senator WILLIAMS. What do you mean by "the building trades"? Just what trades are included?

Mr. VREELAND. Carpenters, painters, plumbers, sheet-metal workers, marble cutters, bricklayers, plasterers, electrical workers, and building trades mechanics and laborers in general.

Senator WILLIAMS. Carpenters?

Mr. VREELAND. Carpenters; yes, sir.

Senator WILLIAMS. Bricklayers?

Mr. VREELAND. Yes, sir; the entire class of labor employed in the erection of buildings, from the excavation to the locking of the front door.

We feel, as an organization, that while this revision of the tariff does not affect any of the building material in its handling by us on the building, yet it does have the effect of creating an unrest among the employers, and stagnation in business, as it were, because of the uncertainty as to the result of the tariff revision; and that directly affects us, or those affiliated with us.

Senator WILLIAMS. Would you, then, never have a tariff revision? Would you just stand indefinitely on whatever happened to be the tariff for fear a revision might produce disturbance?

Mr. VREELAND. If the tariff was for the benefit of the working people, the people of the United States in general, I would say "Never have a tariff revision."

Senator WILLIAMS. If the tariff were 100 per cent upon everything, any agitation for revision would necessarily produce some degree of halting and some degree of disturbance in business in the case of people who were waiting to see if they could not get things cheaper, would it not, no matter how high it was?

Mr. VREELAND. If the 100 per cent were a prevalent condition, I do not know that it would; but it is not.

Senator WILLIAMS. You think, then, that an agitation would not create any disturbance? In other words, if the tariff was too high, an agitation to reduce it would not disturb business?

Mr. VREELAND. It would depend entirely, Senator, on how much you wanted to reduce it.

Senator WILLIAMS. Then, if the agitation was to reduce it reasonably, let us say, do you think that would bring about disturbance in business?

Mr. VREELAND. Why, no; I do not.

Senator WILLIAMS. You do not?

Mr. VREELAND. No, I do not.

Senator WILLIAMS. Then if the tariff was too high and it was proposed to reduce it reasonably, you do not think that ought to disturb business?

Mr. VREELAND. Not unless that reduction in the tariff would open the gateway for foreign importations.

Senator WILLIAMS. In other words, in your opinion any reduction of tariff that would permit any competition with the American manufacturer would disturb business?

Mr. VREELAND. Why, yes.

Senator WILLIAMS. So that you stand here representing the idea that the American manufacturer must have no competition from abroad?

Mr. VREELAND. In a sense; yes, sir.

Senator WILLIAMS. If in a sense that is your position, then in a sense you are in favor of a prohibitive tariff upon all imports, are you not?

Mr. VREELAND. Where it will directly affect the wage scale of this country I am.

Senator WILLIAMS. Whether or not it directly affects the wage scale is a matter of argument. But you have taken the position that it would affect the wage scale; and logically your position is, is it not, that you must prohibit all foreign competition with American manufacturers because, in your opinion, if you have foreign competition with American manufacturers it does affect the wage scale?

Mr. VREELAND. I must make my position clear, Senator. In our business life as mechanics or working people we find that we have to get just as much as we possibly can for our labor. The conditions of livelihood are such in this country that we find that our expenses increase faster than our wages increase. I will say this: I think the gentlemen who are thoroughly familiar with the tariff, and with its far-reaching effect upon the business people of the country, should be very careful not to disturb settled conditions by a revision of the tariff.

Senator WILLIAMS. Let me ask you this question: Here are a lot of men who are engaged in the building trades—carpenters, bricklayers, hodcarriers, everybody that is engaged, as you say, from digging out the foundations to the top; the men who are operating derricks, and everybody else. Would you imagine that their chances for employment would be increased or decreased by cheapening the products out of which buildings are erected? In other words, if people could get more cheaply structural steel, stone, and wood, and everything out of which buildings are erected, would that increase or decrease the amount of building?

Mr. VREELAND. Senator, I must answer your question in this way, if you will permit me. I do not think there is a class of business ventures in this country that is affected by a steady or an unsteady market more than the erection of buildings. If there are any doubts at all as to the tightness of money, or an unsettled condition, I, as a prospective builder, will not build until I am absolutely certain of a settled condition. That is the way it affects us.

Senator WILLIAMS. I think that is true, and as far as I am concerned I am ready to admit that any revision of any tariff, no matter how high or how low, causes a temporary flutter, which does have a

temporarily bad effect. I am not talking about that, however. I am asking you this question: In the case of a house, the materials in which now cost, say, \$15,000, if it could be built for \$12,000 because materials were cheaper, would that increase or decrease the amount of building?

Mr. VREELAND. The actual cost of the material?

Senator WILLIAMS. Yes. Suppose the materials of a house which now cost \$15,000 could be purchased for \$12,000, would that increase or decrease the amount of building operations in this country?

Mr. VREELAND. In some instances it would decrease it.

Senator WILLIAMS. In some instances it would decrease it?

Mr. VREELAND. Yes, sir.

Senator WILLIAMS. How would that happen?

Mr. VREELAND. Just for illustration, take the steel products which enter into the construction of a building, and assume that a revision of the tariff comes along affecting that material. The American workmen, in competition with the import trade in connection with a low tariff, find that they have no work. That affects the demand for buildings.

Senator WILLIAMS. Oh, yes; I understand that. I do not want to worry you, of course, but if I could get a direct answer to the question as to whether the cheapening of building material would increase building or decrease it, we could go to the next question. In your opinion, would a decrease of the cost of building material increase or decrease the amount of building?

Mr. VREELAND. A decrease of the cost of building material along natural lines would increase the number of buildings erected yearly, in my opinion.

Senator WILLIAMS. The next question is this: If the volume of building operations in the United States were increased, would not that increase the opportunities for employment of brickmasons and carpenters and building men generally?

Mr. VREELAND. Why, as workmen; yes.

Senator WILLIAMS. That is what I want to get at.

Senator McCUMBER. Following that just a step further, if we make such a change of tariff as produces a stagnation in all lines of business that produce the things that go into the building of structures in the country, would that tend to increase or decrease the building?

Mr. VREELAND. It would undoubtedly decrease the number of buildings erected yearly, because there would be no demand.

Senator McCUMBER. Then the question of whether we build or not depends upon general prosperity?

Mr. VREELAND. Upon the general conditions of the country.

Senator McCUMBER. And if the conditions are such that labor is prosperous and all people are prosperous, building is going to go on with accelerated pace, is it not?

Mr. VREELAND. That is my belief.

Senator WILLIAMS. In other words, no matter how cheap material was, if you were in a condition of panic or of general prostration, there would be no great amount of building?

Mr. VREELAND. I am not speaking of panics; I am speaking of general conditions. We have had no panic to any great extent in the last three or four years; neither have we had any building to any great extent in the last year.

Senator WILLIAMS. If there were a condition of general business prostration, of course the building trades would share it as well as everybody else?

Mr. VREELAND. Why, I presume undoubtedly they would.

Senator WILLIAMS. That is universally admitted, I take it?

Mr. VREELAND. Oh, yes.

Senator McCUMBER. Is it not a fact that when all classes of building material were the highest in this country, when labor was the highest, and when we were the most prosperous, we were doing the greatest amount of building?

Mr. VREELAND. Yes, sir.

Senator WILLIAMS. Even down to the worker upon a Mississippi cotton farm who would have nothing to do with it.

Mr. VREELAND. I am not familiar with that section of the country.

Senator JOHNSON. Has building material ever been higher than it has during the past year?

Mr. VREELAND. Yes, sir; brick, lime, cement, and lumber have all been higher than they are at the present time.

Senator JOHNSON. When was lumber higher than it is now?

Mr. VREELAND. Two years ago.

Senator JOHNSON. Two years ago it was higher than it was last year?

Mr. VREELAND. Yes, sir; higher than at the present time—this year.

Senator JOHNSON. During the whole of last year, as compared with two years ago, how about the prices of lumber?

Mr. VREELAND. I would say they have a downward tendency—that is, in the retail market. I am not speaking of the wholesale market; I am not familiar with it.

Senator JOHNSON. Go back two years, then, and take the last three years—the matter of lumber. Has not lumber been higher during the last three years than during other periods in your experience?

Mr. VREELAND. That makes six years ago, does it?

Senator JOHNSON. No; three years. You said two years ago it was higher than now, and I say go back and take in those two years.

Mr. VREELAND. I do not know but what it was, if not higher than it was two years ago, on a par.

Senator JOHNSON. You think it is?

Mr. VREELAND. Yes.

Senator JOHNSON. Take this period of three years—has not lumber been higher during the last three years than for any period for 25 years back?

Mr. VREELAND. Lumber itself?

Senator JOHNSON. Yes.

Mr. VREELAND. Yes, sir.

Senator JOHNSON. A good deal higher, has it not?

Mr. VREELAND. Yes, sir.

Senator McCUMBER. Did you thoroughly understand the question that was put to you?

Mr. VREELAND. What was that?

Senator McCUMBER. Do you mean to say that lumber during the past three years has been higher than it has been at any time in the last 25 years, or simply that it is higher than it was 25 years ago?

Mr. VREELAND. It is higher than it was 25 years ago.

Senator JOHNSON. At any time within 25 years?

Mr. VREELAND. That I can not say.

Senator McCUMBER. As a matter of fact, was not lumber the highest in this country over the period from about 1901 to about 1906, the highest that was ever known?

Mr. VREELAND. To give the specific dates, I not being in the lumber business, it is impossible for me to say; I can only speak in a general way.

The CHAIRMAN. What is your trade?

Mr. VREELAND. Carpenter.

The CHAIRMAN. A carpenter?

Mr. VREELAND. Yes, sir.

Senator LODGE. Suppose there were a cheapening in the building materials, which has been spoken of here, a general cheapening; that would be either through the introduction of foreign material or the reduction of the price of American material, and the tendency of that would be to reduce the labor cost. If the wages of the men who are employed in the manufacture of steel and iron, for instance, were lowered, they would go into some of your trades?

Mr. VREELAND. Not that I know of, unless they went in as laborers.

Senator LODGE. You mean they could not get into any of the iron trades?

Mr. VREELAND. Not into the skilled labor of the building trades. They might apply for the lowly position of laborer, something of that kind.

Senator McCUMBER. They would have to get into something, would they not?

Mr. VREELAND. They would; and the lowest step would be about where they would fit in.

Senator LODGE. Do you think that the reducing of the wages or the throwing out of employment of considerable bodies of men engaged in the manufacture of building materials would have any effect on the general wage scale?

Mr. VREELAND. Yes, sir; undoubtedly.

Senator LODGE. That is all.

The CHAIRMAN. Have you anything further, Mr. Vreeland, to state to the committee?

Mr. VREELAND. No, sir.

STATEMENT OF MR. M. I. PIERSON, OF NEW YORK CITY, REPRESENTING THE WILLIAMS ENGRAVING CO.

The CHAIRMAN. The committee will now hear Mr. M. I. Pierson, of New York, representing the Williams Engraving Co., addressing himself to paragraph 35.

Mr. WILLIAMS. Mr. Chairman and Senators, I will speak to paragraph 35, and that part of it that reads "plates engraved, * * * and plates of other materials, engraved for printing." The trade I am in is half tone, line and wax engraving. If the tariff on that is reduced, if it gets low enough, there will be any quantity of it go from here to Germany and England, as is done to-day. For instance, there are numerous publications of small editions where the engraving is perhaps 75 or 80 per cent of the total cost of the publication, done in

Germany or England, printed there and coming into this country because it pays a small duty on the amount. I was asked to come down here by the men of my particular company and speak to you on the subject.

The CHAIRMAN. What company do you represent?

Mr. PIERSON. The Williams Engraving Co.

The CHAIRMAN. What is your position in this company?

Mr. PIERSON. I am a finisher.

The CHAIRMAN. You represent the employees?

Mr. PIERSON. The employees; yes, sir.

The CHAIRMAN. How many men are employed in this industry?

Mr. PIERSON. Throughout the country?

The CHAIRMAN. Yes.

Mr. PIERSON. As finishers, perhaps 1,000. But each plate has to go through a process of six hands; that would about make it 10,000 men throughout the country.

The CHAIRMAN. Mostly skilled labor?

Mr. PIERSON. All skilled; every finisher has had to go through a schooling.

Senator LODGE. It is very highly skilled labor, is it not?

Mr. PIERSON. Highly skilled labor. We are considered to be commercial artists.

The CHAIRMAN. Do you know anything about the difference in wages here and abroad?

Mr. PIERSON. About one-half.

Senator LODGE. About one-half abroad what they are here?

Mr. PIERSON. What they are here; yes, sir. The majority of the men in our profession are citizens of the United States; in fact, practically all, and a great majority—I am, unfortunately, not one of them—are property owners; own their own houses. We do earn a fair wage scale.

I can cite you an instance of a copy of a book over here in the National Museum, the edition of which was 300. The cost of the engraving ran up into the thousands of dollars. That book was published. The author of it was Marshall H. Seville, an explorer, who went down to South America on some scientific researches. Being an educational work, it comes into this country free. Fifty editions go to the author and an edition goes to each of the leading educational institutions as well as the museums. Because the engraving in that work could be obtained for about one-half, it went to Leipzig, Germany, and was engraved and printed there.

Senator WILLIAMS. Was it equally as well engraved in Germany as it would have been here?

Mr. PIERSON. Equally as well. They are equally as highly skilled in Germany as we are here, and we are as highly skilled as they are there. We can turn out work in color and work in black and white.

Senator WILLIAMS. Was the book a valuable educational work?

Mr. PIERSON. It is research, exploration in regard to South American Indian tribes; but, of course, the United States Government allows all educational publications in free of duty that are to be given away; but 90 per cent of the cost of producing halftone plates, a color plate, or a line plate is the skilled labor on it. The material itself is but a piece of copper. The piece of copper may be worth about 10 or 20 cents. Take that catalogue cover there [indicating]. That is

zinc, in two colors. The actual zinc in it is worth about 15 cents; the wood in it is worth about 5 cents; the artist's drawing there is worth, say, about \$8. The engraver, the router, the etcher, and the operator—the photographer—their work in it represents all the rest of the manufacture, and the cost of it would be about \$35, as I would estimate that particular thing. A small case, about 2 feet square, can carry a few hundred plates, and they can come into this country and be used for millions of copies, as each plate will really represent perhaps anywhere from \$1,000 to \$2,000 worth of actual labor.

Senator WILLIAMS. The intellectual part of that is a good deal less than the mechanical part of it?

Mr. PIERSON. What do you mean?

Senator WILLIAMS. I mean the work of the artist, the man who does the designing?

Mr. PIERSON. Oh, yes.

Senator WILLIAMS. He is paid a good deal less than the man who does the actual mechanical plating?

Mr. PIERSON. That you can not say. It depends. If the artist is to originate the design, if he has to draw it as that is drawn, just in pen and ink, an outline drawing, it does not amount to much. But if he has to draw your portrait, it does amount to much. Then he would far exceed me in my part of it, because all I would have to do is to follow his copy and etch the plates, the real printing plates.

Senator WILLIAMS. How much more cheaply do you imagine this work to which you are referring can be done abroad? You said it was done in Germany because it could be done more cheaply.

Mr. PIERSON. And in England the same way.

Senator WILLIAMS. About how much did the engraving in that work to which you referred cost?

Mr. PIERSON. The engraving in that cost in the neighborhood of \$15,000.

Senator WILLIAMS. If it had been done in America, it would have cost how much?

Mr. PIERSON. The price here in America is about \$15,000; I mean, that was the price I figured on the work for our shop.

Senator WILLIAMS. What did it cost?

Mr. PIERSON. It cost on the other side a trifle more than half. That is what the professor told me.

Senator WILLIAMS. Say \$8,000?

Mr. PIERSON. Say \$8,000 or \$9,000.

Senator WILLIAMS. That is \$7,000 difference.

Mr. PIERSON. Yes; just about.

Senator WILLIAMS. In one educational work?

Mr. PIERSON. In one educational work of 300 editions.

Senator WILLIAMS. Which goes to the information and improvement of the American people?

The CHAIRMAN. That was for the whole edition. For each copy, of course, it would have been a very small percentage.

Mr. PIERSON. Of course, the plates print the whole copy. They could have printed 1,000,000, but in educational works of that kind the editions are limited; they are limited to 300, 600, or the number of the institutions which are selected to have the work sent to; then the plates are destroyed.

Senator LODGE. Speaking of this book as an educational work, you do not mean for general educational purposes; it is a scientific work of great expense?

Mr. PIERSON. It is a scientific work of great expense.

Senator LODGE. And the edition is only 300, I think you said?

Mr. PIERSON. Three hundred.

The CHAIRMAN. The cost of the book was largely due to the fact it was limited in the number issued.

Senator LODGE. It was not sold.

Mr. PIERSON. Like everything else, if you print 1,000,000 they can be sold for less.

The CHAIRMAN. In other words, if 1,000,000 had been printed for the general consumption of the American public, the difference in the cost of the engraving would have been material in the price of each volume?

Mr. PIERSON. No, the cost of the engraving would have been identically the same.

The CHAIRMAN. I understand that, but if it were distributed over 1,000,000 copies it would have been less for each copy than if the edition were limited to 300.

Mr. PIERSON. Yes; just the same as a magazine; if the edition is 20,000 it costs so much per copy to produce; if they have a circulation of 100,000 it costs them less for each. But what we fear, gentlemen, is that a great many small issues, small publications, are likely to go to the other side and be engraved and printed and shipped in here, paid for under the tariff as printed matter.

The CHAIRMAN. Have you anything further to state to the committee, Mr. Pierson?

Mr. PIERSON. No, sir; except to thank you for the hearing.

STATEMENT OF MR. LEON C. SUTTON, OF NEW YORK CITY, EDITOR OF THE LABOR WORLD.

The CHAIRMAN. The committee will now hear Mr. Leon C. Sutton, editor of the Labor World, of New York.

Mr. SUTTON. Mr. Chairman and Senators, I simply want to voice the fear of our people, as I find it in my position as editor of the Labor World, that the reduction of the tariff to our people will mean a reduction of wages. The laboring people of New York and New Jersey are simply interested in the tariff from the standpoint that they want their wages kept at what they are, or they want them higher. I presume we all feel that if the tariff is reduced and we have to compete with foreign manufacturers, and they can get their goods in, it will ultimately mean a very great reduction of wages to our people. As an evidence of that, I talked to Mr. Hand, vice president of the Underwood Typewriting Co., the other day, and I said to him, "What will the reduction of the tariff, the entering of typewriters free into this country, mean to your people?" He said: "It will mean an unsettled condition of affairs in our factory for quite some time to come. It will mean a curtailment of expenses, etc." I said: "By a curtailment of expenses, what do you mean? Do you mean the curtailment of expenses will be in the wages of the workmen?" He said: "Naturally, that will follow."

Senator WILLIAMS. Did he tell you how many typewriters he exported every year?

Mr. SUTTON. No; he did not tell me.

Senator WILLIAMS. Did he tell you he exported any to France?

Mr. SUTTON. He did not tell me anything about that. He simply told me there was a German typewriter, manufactured in Germany, that would compete with the one they manufacture in this country, that was a very inferior and cheap machine.

Senator WILLIAMS. Did he tell you he was shipping typewriters to Germany himself now, and riding over a tariff there to get in?

Mr. SUTTON. I did not go into that matter with him. I simply went into the matter as to the effect on the workmen of allowing the typewriters to come in free, whether it would mean a reduction of their wages or not, and his answer to that was, "Undoubtedly."

Senator WILLIAMS. I would like to ask you another question right there. You have been watching these things a long time. I take it. It appears to me as if you and I are about the same age. Did you ever know a time when a cut in a tariff duty was suggested when the manufacturer did not immediately say that if we cut the duty he would reduce wages?

Mr. SUTTON. Has not that always followed?

Senator WILLIAMS. Have you ever known of them not making that plea?

Mr. SUTTON. I believe they not only make that plea, but they do it.

Senator WILLIAMS. Do you think, then, they base their payments to their laborers upon what they are able to pay?

Mr. SUTTON. On the amount of protection they get, undoubtedly.

Senator WILLIAMS. Upon what they are able to pay?

Mr. SUTTON. Yes, sir.

Senator WILLIAMS. And that if we should raise the tariff so high that they would be able to pay their laborers 20 per cent more than they are paying now, they would pay them 20 per cent more?

Mr. SUTTON. I think they would. I think they would be glad to. I think the higher protection we have in this country the better wages the workmen receive.

Senator WILLIAMS. I asked you that question because I had the idea that, while perhaps it would enable them to do it, they would not be willing to.

Mr. SUTTON. There may be some who are unwilling, but I think the majority would be glad to pay higher wages with more protection.

Senator WILLIAMS. As a matter of fact, they get their labor in the labor market at the cheapest price they can, do they not?

Mr. SUTTON. Yes and no. Many manufacturers tell me that the best labor they can get is the highest-priced labor.

Senator WILLIAMS. I mean a given quality of labor necessary to a given work; they get that given quality at the cheapest price they can.

Mr. SUTTON. They do not, of course, pay any more than they have to, or whatever the scale might be, whatever scale might be fixed by the organizations. Those things are furnished to the companies by the American Federation of Labor, or the building trades, or whatever it may be in the locality. Take the building-trades organization of New York City, of which my paper is the official

organ, a body of 80,000 men, covering a radius of 25 miles. They fix yearly the scale of wages for all of their crafts.

Senator WILLIAMS. Let us take the building trades. You are aware, in a general way, of about what is paid to the people in the buildings trades in San Francisco, let us say, and in New York. What is about the difference?

Mr. SUTTON. I do not think there is any material difference.

Senator WILLIAMS. No material difference between what they pay the brick masons, bricklayers, and carpenters, in San Francisco and New York?

Mr. SUTTON. I could not answer that positively, but I know the scale for carpenters in New York; they get \$5 a day, and I think they get about the same in San Francisco.

Senator WILLIAMS. So that there is no difference in the price paid to labor in San Francisco, California, Colorado, and the Pacific coast, and the price paid in Pennsylvania and New York?

Mr. SUTTON. There is some difference in the localities.

Senator WILLIAMS. Are they not paid twice as much in Colorado and out in that country as they are in Pennsylvania and New York?

Mr. SUTTON. They are paid twice as much?

Senator WILLIAMS. Are they not?

Mr. SUTTON. I do not think so. We have a different scale right in New York City and Jersey City, just across the river there. There are some of the trades which received a dollar or half a dollar less per day than they do in New York. I do not know how that is governed, except probably they can live more cheaply in Jersey City than in New York City. That same thing would probably govern them in California or Colorado, where the local conditions would govern wages. The living conditions in the particular locality would affect them. But I could not tell you just exactly what the difference would be.

Senator WILLIAMS. I thought perhaps you knew it.

Mr. SUTTON. I have not got it at my fingers' ends. Probably I could find it out by going through some statistical matter in the office. I did not know a thing of that kind would come up or there would be any question as to that.

I was going to cite another thing that the people of Jersey fear. Take the Singer Sewing Machine Co., manufacturing an article that is on the free list.

Senator JOHNSON. Just a moment before you take that. You spoke of the Underwood typewriter and said you had conversed with Mr. Hand in regard to it.

Mr. SUTTON. Yes; he is the vice president.

Senator JOHNSON. I understood you to say that the union men keep up the wages, see to it that they get the benefit that they ought to receive from a protective tariff.

Mr. SUTTON. That is what unionism does, keeps up the wages.

Senator JOHNSON. Does the Underwood Typewriting Co. employ any union men?

Mr. SUTTON. I think they employ some, not all. It is an open shop; not all.

Senator JOHNSON. Do they not exclude union men?

Mr. SUTTON. No, they do not exclude union men. An open shop does not mean the exclusion of union men; it means that both

union and nonunion men work in that shop. They pay the same rate of wages, in the majority of open shops, that they would pay in what we term a closed shop. But they retain the privilege of employing union or nonunion workmen. That would be the only difference, and I understand that the Underwood Co. have union machinists. That I am not positive about. But they pay the regular scale of machinists' wages, and the union scale for their work.

You understand, in calling on Mr. Hand, I simply wanted to find out from him directly what the reduction of the tariff would mean to the men's wages. I was not interested in any other point or part in the thing. In fact, from my viewpoint, and the study I have made of the tariff and the working people's condition, I think to the working people the tariff is nothing but a question of wages, and I have made all the arguments I have ever made on a high protective tariff from that standpoint, that if the goods, which are manufactured, the goods they are working on, are well protected, they will be well paid; if they are not, if the bars are taken down and they have to compete with foreign labor, it surely is going to be the means of the reduction of their wages. That is what we fear.

I was going to call your attention to the Singer Sewing Machine Co., of Elizabethport. They do not care. Mr. Graham, the treasurer, said to me just the other day, when I asked him about the tariff, "We do not care. We can stand it if anybody else can stand it." My own knowledge of that thing is that probably they can, because they have a factory in Edinburgh, where they can manufacture these sewing machines, and where they do manufacture what they call an American sewing machine at the present time for probably half what it costs them to manufacture the same machine in Elizabethport.

Senator WILLIAMS. You say they manufacture that machine there for probably half what they manufacture it here for?

Mr. SUTTON. Yes; they manufacture it so that they sell it at \$20.

Senator WILLIAMS. Why is it, then, that the Singer Sewing Machine Co. exports every year a great many sewing machines made in the United States?

Mr. SUTTON. Begging your pardon, my information is that the Singer Sewing Machine Co. has not exported a machine in 15 years.

Senator LODGE. No; they do not export.

Senator WILLIAMS. That is somewhat contrary to the testimony that is before this committee.

Mr. SUTTON. They have not exported for 15 years.

Senator LODGE. The Singer Sewing Machine Co. does not export; it makes its machines abroad.

Mr. SUTTON. They export their patterns. They send their patterns of the American sewing machine, and all improvements that are made on the American sewing machine, to their Edinburgh factory, and the same machine is made there that is made here.

Senator WILLIAMS. In other words, they head them up there?

Mr. SUTTON. No. Do you mean by that the platform part of the machine would be made in this country and sent there?

Senator WILLIAMS. Yes.

Mr. SUTTON. No. They simply send their patterns, and it is all done there, and for about half what it can be done in Elizabethport.

for. Their scale of wages for their employees in Elizabethport, I understand, runs anywhere from \$8.50 up to \$30 a week.

Senator LODGE. They have a factory in Russia, too, have they not?

Mr. SUTTON. They have one in Russia, yes; one in Edinburgh, one in Glasgow, and I think they have one in Germany somewhere. I am not sure about that.

Senator LODGE. Yes; they have.

Mr. SUTTON. We fear in New Jersey that if sewing machines are put on the free list there are going to be about 8,000 men in Elizabethport thrown out of work, and it is going to be a pretty bad condition of affairs.

Senator WILLIAMS. You fear that, notwithstanding the fact that the sewing machine makers are exporting sewing machines to all the neutral markets of the world—Mexico, and South America, and even to Australia—and selling them in competition with the manufacturers of sewing machines of foreign countries in all these markets?

Mr. SUTTON. If they can manufacture that machine and get it in here free, and the cost of manufacturing in Edinburgh is one-half—

Senator WILLIAMS. Do they not manufacture machines in England, Germany, and France, and get them into Australia, Australasia, South America, and Mexico at the same rate of duty we can get them there?

Mr. SUTTON. They are doing that at the present time, are they not?

Senator WILLIAMS. They have the same duties there against them that they have against us, in all these neutral markets.

Mr. SUTTON. Yes; I know that.

Senator WILLIAMS. Are you not aware of the fact that sewing machines are being exported to all these neutral markets every year and sold in competition with the European makers?

Mr. SUTTON. I do not think so.

Senator LODGE. They sell their foreign-made machines.

Mr. SUTTON. They do not sell the American-made machines; that is what I am getting at.

Senator WILLIAMS. The United States reports say that they have sent them.

Senator LODGE. Does it say that the Singer Co. exports? We export machines, undoubtedly.

Senator WILLIAMS. The United States commerce reports do not show which particular company, but they do show that America exports sewing machines.

Senator LODGE. We export sewing machines; but the Singer Co. does not export them.

Mr. SUTTON. They say they have not for 15 years exported a sewing machine, except some lace machine, which manufactures a specific article.

Senator LODGE. They have a factory in Russia for the Russian market, and a factory in Scotland for the English market.

Senator WILLIAMS. I think I put this in the record once, however. Here are given the machines and parts of sewing machines made in America exported to foreign countries.

Senator LODGE. Does it appear they are made by the Singer Co.?

Senator WILLIAMS. I do not know how much of these the Singer Co. sends.

Senator LODGE. He is speaking only of the Singer Co.

Senator WILLIAMS. Can not the Singer Sewing Machine Co. make sewing machines as cheaply in America as any other company can make sewing machines in America?

Mr. SUTTON. I presume they can.

Senator WILLIAMS. Is it not the general belief that they can make them more cheaply, owing to the fact that they have a larger capitalization?

Mr. SUTTON. From the magnitude of their factory I should think they would have facilities for making them even more cheaply than any other sewing-machine company in America.

Senator WILLIAMS. That is what I thought. I will take a few of the large places and leave the balance out. I find that we exported to Germany \$1,110,479 worth of sewing machines in 1910. I find that we exported to Scotland, notwithstanding the fact that the Singer Sewing Machine Co. is making machines in Scotland, as you say, at two places, \$1,359,004 worth. I find that we exported to the Argentine Republic \$580,000 worth, in round numbers. I find we exported to Brazil \$784,000 worth. I find we exported to Australia and Tasmania, away yonder on the other side of the Pacific, \$291,000 worth. I find, to sum it all up, that we exported to Europe in 1910 \$3,689,000 worth; to North America—chiefly Canada, where there is a preferential British duty—\$1,434,000 worth, and to South America \$1,772,000 worth, leaving off the odd dollars in each case. With the Singer Sewing Machine Co. manufacturing as cheaply as any other American sewing-machine company can or does, and American sewing-machine companies exporting these amounts to neutral markets and to European markets as well and competing there and selling their goods, you think that with sewing machines upon the free list they could not manufacture them in America in competition with European-made machines, which would have to cross the ocean?

Mr. SUTTON. Let me make myself plain on that. I am speaking only of the Singer Sewing Machine Co. of Elizabethport, and we fear the entering of the sewing machines on the free list would result in that factory being closed down in Elizabethport, and those men all thrown out of work; or that there would be a great reduction in wages. Our fear probably is based on the feeling of the Singer Sewing Machine Co. that they do not care whether it is or is not reduced, or whether it is taken off or not, and we figure from that standpoint that they are well ready and able to transfer this plant, or their manufacture of machines here in Elizabethport, to some of their foreign factories and have it done very much more cheaply. That is our fear, and that is all we speak of.

Senator WILLIAMS. The Singer Sewing Machine Co. has a factory in Glasgow?

Mr. SUTTON. Edinburgh and Glasgow; those two I am positive of.

Senator WILLIAMS. And in spite of the fact they are manufacturing there and employing British labor there, I find that American sewing-machine companies exported to Scotland last year \$1,359,000 worth of sewing machines. When those one and a third million dollars' worth of sewing machines had to go to Scotland last year, they had to pay freight across the ocean, did they not?

Mr. SUTTON. Certainly.

Senator WILLIAMS. They had to pay inland freight to get to the point where they were going?

Mr. SUTTON. Yes.

Senator WILLIAMS. They had to pay a profit to the machine company. Now, then, if they could sell those machines there in competition with the Singer Sewing Machine Co. manufacturing in Scotland, what makes you afraid that the European sewing-machine company can send machines across the ocean, pay the ocean freight, and the inland freight, and compete with an American sewing-machine company in New Jersey?

Mr. SUTTON. Just this one fact, that the sewing machine that is manufactured in Elizabethport runs all the way from \$45 to \$65. That is the selling price. The same machine is duplicated in Edinburgh and Glasgow and sold in the market there for \$20 and \$22. If they can make that same machine in Edinburgh at \$20 and \$22 and sell it at that price, that surely would be less than half what they pay here.

Senator WILLIAMS. Undoubtedly, if that were a fact there could be no machines sold here in competition.

Mr. SUTTON. That is so, and I can not explain it, nor any part of it.

Senator McCUMBER. Do you know what kind of machines we export to Scotland?

Mr. SUTTON. I do not know of anything the Singer Co. exports to Scotland except some special lace machine.

Senator McCUMBER. Ever those we export to Scotland are not the ordinary sewing machines that are manufactured in Scotland?

Mr. SUTTON. I do not think so.

Senator McCUMBER. As a matter of fact, are they not machines specially constructed for lace making and for things of that kind?

Mr. SUTTON. I was going to say that the Singer Sewing Machine Co. does export a machine into European countries, but it is not the regular Singer sewing machine; it is a glove machine and a lace machine that is especially adapted to those trades.

Senator McCUMBER. A special make?

Mr. SUTTON. Yes, sir.

Senator SMOOT. And used only by manufacturers?

Mr. SUTTON. Yes; not by individuals.

Senator WILLIAMS. So the Singer Sewing Machine Co., in its factories abroad, does not manufacture the ordinary sewing machines?

Senator SMOOT. They do.

Senator WILLIAMS. I thought you said they manufactured lace machines.

Senator SMOOT. No; the exportations of machines from this country.

Senator McCUMBER. Does not that explain the exports?

Mr. SUTTON. It would in part explain the exports, I should say. As I understand it, these lace machines, and machines that are made for special manufactures, are all they export.

Senator LODGE. I would like to call your attention to a statement made here by one of the independent sewing machine-makers, so called. He says:

The Singer Co. operates several plants in America, to wit: St. Johns, Quebec; Elizabethport, N. J.; Bridgeport, Conn.; South Bend, Ind.

That is correct?

Mr. SUTTON. Yes.

Senator LODGE. "It has also several factories abroad, to wit, Glasgow, Scotland; Berlin, Germany; and one plant, possibly two, in Russia."

That is your impression?

Mr. SUTTON. Yes.

Senator LODGE. He further says, in answer to a question about the factory price to the foreign purchaser being no less than the price to the American purchaser, that that was so. [Reading:]

Senator HEYBURN. Does that apply to the Singer Co. as well as your own company?

Mr. CHASE. I would have to reply to your question by hearsay only. They do not send any of their machines from the factories here abroad.

Senator STONE. To no country?

Mr. CHASE. I think possibly they do; but I do not know which one. They may go to Australia, but not to Europe or to South America, where, I understand, they have a very gratifying trade.

Senator STONE. Do they send them to Canada?

Mr. CHASE. They are made in Canada; they have a plant there.

Senator STONE. Do they send them to Mexico?

Mr. CHASE. I presume from their Elizabethport factory they send to Mexico, but I am not sure.

Senator LODGE. That was a statement of an independent manufacturer in regard to the Singer business?

Mr. SUTTON. That is, as I understand it, that their patents and their patterns of all the novelties, whatever novelties might come out, or their patterns of the whole machine; that is, all they ever send to the foreign countries to their factories.

Senator LODGE. If they can sell their ordinary machines made in Elizabethport as cheaply abroad as they can here, at the same price abroad as they get here, and make money, why do they have these foreign factories?

Mr. SUTTON. There is only one explanation—that they can do it so much more cheaply; that the labor is so much cheaper that it pays them to have it over there.

Senator WILLIAMS. Why do they keep these up over here?

Mr. SUTTON. They have a market for these over here, and they make a machine that they sell at anywhere from \$45 to \$65.

Senator McCUMBER. And they have a duty here, too.

Senator WILLIAMS. Do they not send some of these machines to Mexico?

Senator LODGE. From Elizabethport?

Mr. SUTTON. From Elizabethport, the only place from which they export.

Senator WILLIAMS. Do you know anything about the freight rates down to the Mexican Gulf coast?

Mr. SUTTON. I do not know anything about it. Our only interest, as I tried to explain, was simply the fear that if they can go and manufacture these machines and close down this factory at Elizabethport it will throw anywhere from 6,000 to 8,000 people out of employment, and they are the kind of people who are machine people. I do not think they would be fit for manual labor, and we do not know what would become of them, except that they might become charges on the city or the State. That is the way it looks to us.

Senator SMOOT. The only reason you want the duty on sewing machines—

Mr. SUTTON. Is to keep those people out.

Senator SMOOT. To compel the Singer Sewing Machine Co. to make the machines in this country that are used by the American people?

Mr. SUTTON. Right here; yes, sir.

The CHAIRMAN. Have you anything further?

Mr. SUTTON. No.

Senator SMOOT. Do you know what the capital stock of the Singer Sewing Machine Co. is?

Mr. SUTTON. I do not.

Senator McCUMBER. Have you ever heard of the Singer or any other American sewing machine company exporting to Scotland or to England or to Berlin the ordinary family sewing machine?

Mr. SUTTON. No; they do not. I explained that inside of 15 years they have not exported what we know as the American Singer sewing machine. There have not been any of them exported in 15 years.

The CHAIRMAN. You are the editor of the Labor World?

Mr. SUTTON. Yes, sir.

The CHAIRMAN. That paper has a large circulation in labor circles?

Mr. SUTTON. We represent not only the New York Building Trades Council, which is a body of 80,000 men, but we represent the Associated Building Trades of New Jersey, and the State Carpenters' Association, the State Plumbers' Association, and then some two or three county associations that probably, in New Jersey, would be a little over 60,000 men. Those organizations we represent officially. We are their official organ.

The CHAIRMAN. Do you feel that you voice the sentiment of these constituencies?

Mr. SUTTON. I do. That is why I am here, to express the fear we feel that the reduction of the tariff on many of the things, in both New York and New Jersey, would mean a reduction in wages, and probably hardship to our people.

I thank you for your attention.

Senator WILLIAMS. Mr. Chairman, before you proceed to the next gentleman, I hold in my hands here, prepared by the expert who was put at our disposal by the committee, in connection with the contention of the manufacturers before the Finance Committee that their business would be ruined by the tariff reductions proposed in the House bill, a table showing the amount of manufactures of iron and steel which they are selling to Canada, underselling Great Britain, notwithstanding the preference there; and the table shows the various articles, the quantity exported to Canada, the duty per ton or per pound, as the case may be, the percentage in each case which the United States manufacturer has to pay in Canada, and the duty which the British manufacturer has to pay in the same market. I will ask that it be incorporated.

Senator LODGE. Does that show all the freight rates?

Senator WILLIAMS. Oh, no. By the way, in connection with the freight rates, I want to call the attention of the Senator from Massachusetts to the fact, which he seems to have forgotten, that the Great Lakes are just as accessible for navigation to the manufacturers of Canada as they are to us.

Senator LODGE. The comparison was with the English product, not with the Canadian product.

Senator WILLIAMS. The English product comes up the St. Lawrence River, and they can go over the Great Lakes just as well as we can. I ask that this table be inserted.

The CHAIRMAN. Would there be any objection to having this expert prepare a statement regarding freight rates?

Senator WILLIAMS. No; not if he knows how to prepare it. I have no objection.

The CHAIRMAN. I would suggest that you have him prepare a supplemental statement showing the freight rates to these points.

Senator WILLIAMS. I want you to remember that the Great Lakes are navigable by Canadians as well as by our countrymen.

Senator LODGE. How far do they bring their freights up the St. Lawrence on ocean-going steamers?

Senator WILLIAMS. I do not know; but they can bring them up just as far as we can.

Senator LODGE. They bring them up to Montreal; that is as far as they bring them.

Senator WILLIAMS. I think they have a route through a canal around into the Great Lakes.

Senator LODGE. They have to transship at Montreal, do they not?

Senator WILLIAMS. And we have to transship at Sault Ste. Marie, if they go that far.

Senator LODGE. They do not go that way if they go by ship.

Senator WILLIAMS. It has been an assumption all through these hearings that it is only around the line of the Great Lakes, and immediately upon the borders of the Great Lakes, that the American manufacturer can stand his ground—an assumption, in my opinion, that can not be supported by any testimony.

Senator McCUMBER. I think you stated, in introducing this table, that we sold more cheaply in Canada than Great Britain did; did I understand that?

Senator WILLIAMS. No; I did not make that statement, because I do not know. I just produced the quantities we sell, the amount of duty we have to pay, the amount of duty the British manufacturer has to pay, and the value of the things there. I really do not know whether we export there more cheaply or not.

Senator McCUMBER. Is it not due a great deal to the fact that we can give immediate shipment and supply the demand for immediate use?

Senator WILLIAMS. I have no doubt at all—I am always willing to meet anyone fairly—that a good deal of our exportation to Canada is due to the fact that a man needs something right away, and he can get it more quickly from here than he can from abroad.

Senator SMOOT. You are willing to admit that the largest item in the exportations is automobiles.

Senator WILLIAMS. The automobile is a sort of thing I should think the Americans could beat the world in.

Senator LODGE. That is the most highly protected thing there is.

The table referred to by Senator Williams is as follows:

COMPETING WITH GREAT BRITAIN ON IRON AND STEEL.

Those manufacturers who have testified before the Finance Committee of the Senate that their business would be ruined if the tariff protection on their product is

reduced to the level provided for in the House bill are, nevertheless, selling a large amount of manufactures of iron and steel in Canada, not only in competition with, but are underselling Great Britain, notwithstanding the preferential tariff of 33½ per cent in favor of that country, as will be seen from the table given below. It may, therefore, be deduced that if the tariff of the United States were reduced to the same rates that Canada accords to English products, it would be impossible for the British manufacturers to undersell us here if our home prices were the same as our export prices to Canada.

As Great Britain competes to a certain extent with other countries the world over in the iron and steel business, while our manufacturers compete in Canada, although handicapped by the 83½ per cent preferential Canadian tariff in favor of Great Britain, it follows that no tariff protection is necessary to hold our home market on the articles we are selling to Canada.

Metals and manufactures of.

Articles.	United States exports to Canada.		Canadian tariff rates	
	Quantity.	Value.	General rate paid by United States.	British preferential.
Pig iron..... tons	67, 206	\$1, 185, 509	\$2.50 per ton.....	\$1.50 per ton.
Bar iron..... pounds	11, 605, 500	216, 228	\$7 per ton.....	\$4.25 per ton.
Wire rods, for manufacture of wire, pounds.	55, 472, 897	781, 335	Free.....	Free.
Hoop band and scroll, steel or iron, pounds.	9, 235, 137	200, 655	\$7 per ton.....	\$4.25 per ton.
Rails, railroad..... tons	27, 255	801, 084	do.....	\$4.50 per ton.
Sheets and plates..... pounds	50, 580, 262	1, 264, 085	do.....	\$4.25 per ton.
Tin andterne plate..... do.	23, 785, 216	826, 328	5 per cent.....	Free.
Structural steel..... tons	63, 534	2, 826, 338	\$7 per ton.....	\$4.25 per ton.
Wire..... pounds	65, 704, 672	1, 639, 380	20 per cent.....	15 per cent.
Barbed wire..... do.	36, 405, 034	839, 518	Free.....	Free.
Builders' hardware.....		1, 272, 069	80 per cent, n. o. p. ¹	20 per cent.
Saws.....		233, 362	30 per cent.....	Do.
Tools.....		1, 025, 079	30 per cent, n. o. p. ¹	Do.
Outlery, table.....		12, 226	30 per cent.....	Do.
Firearms.....		305, 016	do.....	Do.
Cash registers..... number	724	45, 360	do.....	Do.
Electrical machinery.....		1, 151, 449	27½ per cent.....	15 per cent.
Laundry machinery.....		124, 325	do.....	Do.
Metal-working machinery, including tools.....		336, 172	30 per cent.....	20 per cent.
Printing presses and parts of.....		756, 493	10 per cent.....	5 per cent.
Sewing machines.....		462, 126	30 per cent.....	20 per cent.
Fire engines..... number	16	7, 199	35 per cent.....	22½ per cent.
Locomotives..... do.	65	247, 079	do.....	Do.
Steam engines, stationary..... do.	3, 173	840, 418	30 per cent.....	20 per cent.
Traction engines..... do.	1, 296	2, 064, 247	20 per cent.....	15 per cent.
Typewriters..... do.		420, 737	25 per cent.....	17½ per cent.
Windmills..... do.		40, 041	20 per cent.....	12½ per cent.
Nails and spikes, out..... pounds	2, 195, 173	39, 065	80 cents per 100 pounds.....	30 cents per 100 pounds.
Nails, wire..... do.	1, 387, 074	37, 462	60 cents per 100 pounds.....	40 cents per 100 pounds.
Nails, all other, including tacks, pounds.	656, 547	20, 021	35 per cent.....	20 per cent.
Pipes and fittings..... pounds	74, 063, 833	1, 618, 181	\$8 per ton.....	\$8 per ton.
Isles.....	2, 960	136, 684	30 per cent.....	20 per cent.
Isles and balances.....		100, 181	do.....	Do.
Isles and ranges.....		635, 900	25 per cent.....	15 per cent.
Automobiles.....		4, 383, 487	35 per cent.....	22½ per cent.
All other manufactures.....		6, 357, 040	30 per cent.....	20 per cent.

¹ Not otherwise provided.

STATEMENT OF MR. SIDNEY MASON, OF PHILADELPHIA, PA., REPRESENTING THE WELSBACH CO.

The CHAIRMAN. The committee will now hear Mr. Sidney Mason, representing the Welsbach Co. and other similar concerns.

MR. MASON. Mr. Chairman and Senators: I desire to speak in reference to the items of Monazite sand and thorite; thorium; gas mantles, and gas-mantle scrap, referred to in paragraph 53 of House bill No. 18642.

The act of 1909 placed a duty of 4 cents a pound on monazite and thorite, and 40 per cent ad valorem on the other items referred to. The House bill now before your committee proposes to reduce the duty on all of the items to 25 per cent ad valorem.

There are about 50 separate manufacturers of gas mantles in the United States, having a combined annual output of about 60,000,000 mantles. The estimated manufacturers' sales value of this product is about \$3,700,000, an average slightly above 6 cents each, and there is paid for labor directly engaged in the manufacture and sale of this product about \$1,000,000 annually. The company I represent was the pioneer of this industry, and is the largest individual manufacturer, producing about 40 per cent of the total annual output.

A gas mantle as it is finally finished and ready for use is composed of thorium. In the process of manufacturing other important materials enter into its fabrication, but these materials, with the exception of the mountings, are entirely destroyed and form no part of the final product. The entire industry consumes between 200,000 and 210,000 pounds of thorium annually. Fifty per cent of this thorium is imported from Germany, and the balance is made in the United States, the greater part being manufactured by my company for use in mantles of its own manufacture.

Senator SMOOT. Are there any other thorium manufacturers in the United States than your company?

Mr. MASON. Thorium is manufactured by other concerns in the United States. There are four, I think.

Senator SMOOT. Are they running to-day?

Mr. MASON. Yes.

Senator SMOOT. Where do they get their sand?

Mr. MASON. They are manufacturing thorium principally from the scrap.

Senator SMOOT. That is, they use the scrap entirely?

Mr. MASON. Yes, principally.

Senator SMOOT. That is what I wanted to find out.

Mr. MASON. There is one concern that uses the sand.

Senator SMOOT. Are there any other manufacturers than your concern manufacturing thorium from the monazite sand?

Mr. SMOOT. Substantially none.

Senator MASON. I thought you were the only one.

Mr. MASON. We do not sell thorium, as we are not in a position to meet the German manufacturer's price in our home market.

The thorium manufactured abroad as well as in America is made principally from monazite sand, which is a rare earth mineral obtained by mining operations similar to the mining of placer gold. Monazite is used only in the manufacture of thorium, and thorium is used only in the manufacture of a gas mantle. Hence, it is most desirable that the duties on these respective items be established in proper relation to each other. Starting with the raw material—monazite sand—I would say that since the act of 1909 which reduced the import duty from 6 to 4 cents a pound, the production of this material in the United States has been entirely suspended. Two reasons account for this, either one sufficient in itself.

First, since the latter part of the year 1908 the market has been pressed with an overproduction of Brazilian monazite sand, which could be bought at a price, including 4 cents a pound duty, equally as low as the cost of producing monazite in the United States.

Senator SMOOT. Right there let me ask you a question. Does your company control the Brazilian monazite sent to this country?

Mr. MASON. No, sir.

Senator SMOOT. Can any manufacturer purchase from the Brazilian people the monazite sand he desires to buy?

Mr. MASON. I should say so; yes, sir.

Senator SMOOT. You know of no agreement, then, with the Brazilian people, that prevents them furnishing any manufacturer in the United States all the monazite sand he requires or would desire?

Mr. MASON. I would say this, that the manufacturers in Germany, the important manufacturers who represent five or six of the leading chemical manufacturers in Germany, control the product from the deposits in Brazil, which are under the control of Mr. Gordon. Mr. Gordon, however, controls only certain deposits. There are a number of other deposits, and I imagine that there must be at least four or five different independent operators in Brazil.

Senator LODGE. Where are the deposits in this country?

Mr. MASON. Monazite sand is very generally distributed throughout this country, but it is in very small quantities.

Senator LODGE. I mean in quantities profitable for working.

Mr. MASON. The only place where it has been produced profitably in this country has been North and South Carolina.

Senator SMOOT. It is on account of transportation, is it not?

Mr. MASON. When this industry started it was necessary to get monazite sand to make the thorium, and the geology indicated it was more apt to be found in North and South Carolina than anywhere else. That was the nearest point to find it, and our company being the pioneers of this industry, undertook to develop and produce monazite sand, and we went to North and South Carolina. We have investigated deposits in Wyoming, in Montana, in Idaho, and in the State of Washington; in fact, in every locality that it has ever been reported from. We have even investigated the Brazilian fields, and we once started an engineer to follow up a rumor that there was monazite in India.

Senator SMOOT. I have always understood that the Brazilian producers of monazite sand had formed a combine, and it was absolutely under one head, and that they in turn have positively refused to sell to any manufacturers in the United States, with the exception of your concern, any sand for exportation to this country.

Mr. MASON. That is not the state of facts. My company does not buy any Brazilian sand from that syndicate, nor does it take any sand from the deposits which are produced and furnished to that syndicate. It is true that prior to 1907 the six leading German manufacturers I have previously referred to had substantially a monopoly of the Brazilian monazite sands; but that monopoly was broken in the year 1907, and since that time, as I just stated, Brazilian sand has been pressing the market, and in consequence of that pressure it has been possible to buy the sand and pay 4 cents a pound duty on it and use it in this country in preference to mining the sand in North and South Carolina.

Senator SMOOT. You desire to maintain the duty upon the sand, then, do you?

Mr. MASON. I think that question will be answered as I proceed.

Senator SMOOT. That is all right; if you prefer to, go ahead.

Mr. MASON. It is a matter to which we are really indifferent.

Second, the German thorium manufacturers, notwithstanding the increase in duty from 25 to 40 per cent under the act of 1909, reduced their selling price of thorium in the United States from \$3.50, including 25 per cent duty, to \$3.10 per pound, including 40 per cent duty. This reduced price made it impossible for a domestic manufacturer to compete for the home market.

Senator WILLIAMS. What sort of sand is it we export to other countries?

Mr. MASON. I do not know.

Senator WILLIAMS. They have just got it here "sand," and it does not tell what sort of sand.

Mr. MASON. It is not monazite sand.

Senator SMOOT. That is ordinary common sand.

Senator LODGE. That is common sand.

Mr. MASON. With a view of establishing proper relative duties, I would inform you that Brazilian monazite sand is offered to the American market at prices varying from 10 to 10½ cents per pound, and can be landed in eastern seaport cities, not including the duty, at about 11 cents per pound. Thorium of German manufacture is at present being sold in the American market, including payment of 40 per cent duty, and importers' profit, at from \$3 to \$3.10 per pound. The cost of manufacturing thorium under present conditions in the United States, compared with the cost in Germany, is best shown by the following detailed comparison:

	United States cost.	German cost.	Percentage of increase over German cost.
			<i>Per cent.</i>
Monazite.....	\$1.50	\$0.79	90
Chemical reagents.....	.72	.55	31
Power, fuel, and sundry expenses.....	.37	.24	54
Labor.....	.34	.17	100
Packages and cases.....	.12	.09	33½
Cost of 1 pound thorium.....	3.05	1.84	66
Difference in favor of German manufacturer.....		1.21	
	3.05	2.05	

Monazite sand costs the American manufacturer of thorium, paying 4 cents, \$1.50 per pound of thorium, and costs the German manufacturer 79 cents. The American manufacturer pays 90 per cent more for the sand. The chemical reagents used in the process cost, per pound of thorium, 72 cents in America and 55 cents in Germany.

Senator SMOOT. What is the importation price of thorium now?

Mr. MASON. \$2 a pound.

Senator SMOOT. That is lower than it was in 1909, is it not?

Mr. MASON. Yes. The power, fuel, and sundry expenses cost 37 cents in America, as compared with 24 cents in Germany. The labor is 34 cents, compared with 17 cents in Germany, or 100 per cent more. And the packages and the cases are 12 cents in America, compared with 9 cents in Europe, or 33½ per cent more. The total cost of thorium produced in the United States is \$3.05 a pound, as against the cost in Germany of \$1.84 per pound, a difference of \$1.21 in favor of the German manufacturer.

German thorium entered at the present market price of \$2 per pound pays a duty of 80 cents per pound at the present rate of 40 per

cent ad valorem, whereas the difference in manufacturing cost, including 4 cents a pound duty paid by American manufacturers on monazite, is \$1.21 per pound. In order to equalize this difference in cost the rate on thorium should be 60 per cent ad valorem.

Senator WILLIAMS. What is it now?

Mr. MASON. Forty per cent. It requires 10 pounds of imported monazite sand to produce 1 pound of thorium, and therefore the amount of monazite duty in the cost of a pound of American thorium is 40 cents. Thus, if monazite were free the difference in cost would be reduced to 81 cents per pound, and the present duty of 40 per cent on thorium would thereby be sufficient to equalize the difference in cost. It is hereby shown that 40 per cent duty on thorium and free monazite equalizes the difference in cost with Germany.

To preserve this status it is necessary to add 5 per cent to the thorium rate for each 1 cent per pound duty placed on monazite; 5 per cent on the present thorium market price of \$2 per pound is 10 cents, and 10 pounds of imported sand used in making a pound of thorium at 1 per cent per pound is 10 cents, so that with a duty of 4 cents per pound on monazite, 60 per cent duty is required to equalize the difference in cost. It requires 2,000,000 pounds of standard-grade monazite to produce the annual American consumption of thorium. Whether this quantity of monazite sand could be produced in the United States within a reasonable cost is a doubt in my mind. I am able to say that North and South Carolina, which States in the past have been the only producers, could not do it.

The item of thorium varies from 25 to 35 per cent in the total manufacturing cost of a gas mantle, and the present duty of 40 per cent on thorium represents in the cost of manufacturing a mantle from one-fifth to one-third of a cent per mantle. American mantles are sold wholesale at prices varying from \$40 to \$80 per thousand, and these mantles are retailed at 10 to 15 cents each and two for a quarter, the dealer's profit being 40 to 100 per cent on this retailing price; thus the amount of thorium duty at 40 per cent is but 4 per cent of the dealer's cost and 2 per cent of the price paid by the customer.

I bring this to your attention, so it will be clear, that the amount of thorium duty at the present 40 per cent rate is not of great consequence in either the price paid by the dealer or consumer. As a matter of fact, should the thorium duty be raised to 60 per cent in order to preserve the present monazite rate of 4 cents per pound, it would represent in the dealer's cost only 6 per cent, instead of 4 per cent as at present, and this fractional increase would not by any possible chance increase the present prices charged to the consumer; it would simply affect the dealer's profit, which is already sufficiently large to stand it.

It seems to me that there exists here an opportunity to encourage an important home industry by giving the required protection on all of the items without the risk of injury to the consumer or any other interest. It is useless to protect the monazite and thorium industry and not adequately protect the industry of manufacturing gas mantles. Under present conditions the American mantle manufacturer is paying 100 per cent more for labor, 50 per cent more for thorium, and 35 to 40 per cent more for other materials than is paid by German mantle manufacturers.

In manufacturing a gas mantle, figuring the materials and both direct and indirect labor, but not including overhead, selling, admin-

istration, or depreciation expense, the manufacturing cost is divided between labor and materials as follows:

Upright mantles: Labor, 25 per cent; thorium, 35 per cent; other materials, including mountings and packages, 40 per cent. Inverted mantles: Labor, 35 per cent; thorium, 25 per cent; other materials, including mountings and packages, 40 per cent.

On these proportions and differences in cost the German manufacturer has an advantage in cost of producing mantles varying from \$11.27 to \$19.02 per thousand, whereas the duty of 40 per cent now charged on gas mantles, based on the export price of German manufacturers, varies from \$10 to \$16 per thousand. Thus, the present 40 per cent duty is not sufficient to equalize the difference in cost. The mantle manufacturer paying 40 per cent duty on thorium and higher wages and cost of other materials requires a duty of 45 per cent on gas mantles to equalize the difference in cost. In order to establish a variation from this factor, I would state that $2\frac{1}{4}$ to $4\frac{1}{4}$ pounds of thorium is required to produce 1,000 gas mantles, depending on grade and kind. Five per cent on the present German price of thorium equals 10 cents per pound. Therefore the manufacturing cost is thereby increased or decreased from $22\frac{1}{4}$ to 45 cents per 1,000 mantles. One and one-half per cent added to or deducted from this rate of 45 per cent on gas mantles will thus about equal a change of 5 per cent in the thorium rate.

To summarize, I would say that if monazite is placed on the free list the duty on thorium, salts and oxides of, and gas-mantle scrap should be 40 per cent, and on gas mantles 45 per cent, and for each 1 cent per pound duty placed on monazite the duty on thorium, salts and oxides of, and gas-mantle scrap should be increased 5 per cent over the present 40 per cent rate, and the duty on gas mantles should be increased $1\frac{1}{4}$ per cent over a 45 per cent rate. Thus, to preserve the present rate of 4 cents a pound on monazite, thorium, salts and oxides of, and gas-mantle scrap should be 60 per cent ad valorem and gas mantles should be 51 per cent.

The importation of gas mantles has not in the past been a serious matter. The home market provides very sharp competition, and only the cheapest grades of German mantles are getting in. An increase in the duty on gas mantles will undoubtedly improve the feeling amongst the American mantle manufacturers, but the same sharp home competition will not permit a raise in price beyond actual increase in the manufacturing cost, which, if the rate on thorium be made 60 per cent, would be \$1 to \$1.80 per 1,000 mantles.

As an evidence of the German manufacturers' activity, I beg to read the following letter:

BERLIN, O., 17, Jan. 19, 1912.

Dept. Export A.

Messrs. ——— LIGHT CO.,

Canton, Ohio, United States of America.

DEAR SIR: Some time ago we sent you full particulars in regard to our incandescant mantles, but your order is still to come; therefore we take pleasure in sending you to-day our catalogue for your perusal.

All prices stated therein are subject to a trade discount of 40 per cent off Hamburg, packed, with 2 per cent for cash.

By this opportunity we would call your attention to the fact that we are the oldest and largest firm in the world for manufacturing gas mantles, burners, and lamps, and we can deliver these at rates that will absolutely astonish you.

We are able to do this, as we have been right at it for the last 20 and more years, and, further, have the material and cheap labor right on the spot.

We have a very pertinent proposition for you. Send us specimens of the mantles in vogue in your district and we will furnish you gratis samples of the same kind of mantles.

If you would give us a price limit for the approximate quantity required, we would at once be able to make you net quotations. Please give this your close attention.

Awaiting your reply, we remain, dear sirs,

Yours, faithfully,

DEUTSCHE GASGLUHLICHT AKTIENGESSELLSCHAFT (AUERGESSELLSCHAFT).

Senator LODGE. This bill proposes a uniform ad valorem on all monazite sand, on thorite, and on gas mantles, does it not?

Mr. MASON. Yes, sir.

Senator LODGE. What will be the effect of that?

Mr. MASON. The effect of that is to seriously injure the present gas-mantle industry in this country.

Senator LODGE. Whatever rate is adopted, it ought not to be the same rate on the sand and on the thorite as on the mantles?

Mr. MASON. No, sir; that is the reason. The change that is proposed in this bill affects the gas-mantle manufacturers.

Senator SMOOT. As I understand, you desire even an increase over the present rate—that is, the rate of the Payne-Aldrich bill—on gas mantles?

Mr. MASON. To equalize the present duty on thorium.

Senator SMOOT. Or, in other words, you would like to have the 4 cents per pound on monazite sand removed, if you are allowed only 40 per cent on gas mantles?

Mr. MASON. Or on thorium.

Senator SMOOT. Or on thorium; either one?

Mr. MASON. Yes, sir; it is absolutely necessary.

Senator SMOOT. This rate of 40 per cent with 4 cents on monazite sand has been in operation now since August 5, 1909?

Mr. MASON. Yes, sir.

Senator SMOOT. Have you been troubled with importations during that time?

Mr. MASON. Of what?

Senator SMOOT. Importations of gas mantles?

Mr. MASON. No. As I say, the importations of German gas mantles have not been serious. There has been in the past year—this past season, which would commence the 1st of last September—a very aggressive effort on the part of German manufacturers to get their mantles into the American market.

Senator WILLIAMS. Have they succeeded?

Mr. MASON. Only partially. The American manufacturer is in very sharp competition in his own home market with other American manufacturers, and the only mantles that the Germans can get into this market are the cheapest grades, which grades the American manufacturer is selling to-day in the American market at practically the cost of actual direct labor employed in the manufacture of the goods, plus the cost of the materials, without any profit whatever.

Senator WILLIAMS. Making no profit?

Mr. MASON. He is making no profit on those cheap goods.

Senator WILLIAMS. Does he make it up on the other lines of mantles?

Mr. MASON. I do not think the gas-mantle manufacturer is very prosperous. He is in anything but a comfortable condition from the standpoint of profits in the gas-mantle industry.

Senator WILLIAMS. Is anybody exporting any of these mantles?

Mr. MASON. There are no exportations of gas mantles from the United States of any account. The principal export market is Canada, and, of course, on the mantles that are exported to Canada the manufacturer secures a drawback on the duties paid on the imported articles used in the making of the mantle.

Senator WILLIAMS. I notice here that monazite sand and thorite, up to 1909, were lumped under the head of "things otherwise dutiable." In 1909 we imported \$38,000 worth and in 1910 we imported \$23,160 worth. It seems from that the importations of monazite and thorite during the only two years of which we have any record have gone down—have decreased about one-third.

Senator SMOOT. Monazite sand, you are speaking of?

Senator WILLIAMS. And thorite; they are lumped.

Senator SMOOT. Of thorium, the oxide of thorium, in 1911 there was \$237,212 worth imported.

Senator WILLIAMS. Yes.

Senator SMOOT. And in 1910 there was \$179,095 worth. So that there was quite an increase.

Senator WILLIAMS. It fell off?

Senator SMOOT. No; it increased in 1911 over 1910 from \$179,095 to \$237,212.

Mr. MASON. The importations of thorium into this country were larger in 1911 than in any other preceding year, except the year 1909, I think, at which time very large importations were made in anticipation of an increase in duty.

Senator LODGE. What is the thorium that is used—is it nitrate or oxide?

Mr. MASON. It is nitrate.

Senator SMOOT. The law say, "Thorium, oxide of and salts of." That is the law.

Mr. MASON. In conclusion, I wish to say that if the reductions in duties proposed in the present bill are enacted into law, the reduction in the gas-mantle rate from 40 to 25 per cent would enable foreign-made mantles to be imported at a saving in duty of \$4 to \$6 per thousand. Taking it on an average of \$5 per thousand, the saving to the American market would amount, on the annual consumption of 60,000,000 mantles, to \$300,000, or one-half cent per mantle.

The American consumer of gas mantles would not stand much chance of participating in this saving, as it amounts to a mere fraction of a cent on each mantle. The reduction would, however, be sufficient to seriously impair, if not totally destroy, the industry of manufacturing gas mantles in the United States, which is represented by 50 separate manufacturers, paying annually \$1,000,000 in wages to American labor directly employed in this industry.

Senator SMOOT. Gas mantles are one of the articles for which the consumer pays rather a high price, when compared with what the retailer pays for them?

Mr. MASON. Very; and there is a reason for it. A gas mantle is a very fragile piece of merchandise. The manufacturers' competition

is so keen that their price is made on cars at their factory, and all of the risk is the risk of the buyer. He not only assumes the transportation risk, breakages in transportation, but the retailer has to assume the risk of a buyer taking the mantle home, breaking it, and bringing it back and making him give him a new one for nothing.

Senator SMOOT. Would you object to putting monazite sand and gas-mantle scrap on the free list?

Mr. MASON. Personally I would not object. I think it would be a very great hardship to my competitors, because it would mean that the scrap that they use in their factories, which represents 20 per cent of the thorium they use, would, of course, diminish in value to a considerable extent.

Senator WILLIAMS. I think the distinction in these figures grows out of the fact that one has "etc." after it and the others have not. In connection with gas mantles, just one moment. In 1910, if this statement on page 66 is correct, we imported \$71,000 worth of gas mantles, yet in 1911 the imports fell off to \$58,781 worth.

Mr. MASON. That is correct.

Senator WILLIAMS. And the estimate for a 12-months' period under the House bill is given at \$80,000.

Mr. MASON. Yes.

Senator WILLIAMS. But just reading the figures that we know are correct, and not the estimates, I find that the importation of gas mantles fell off, then, from 71,500, in round numbers, to 58,750, in round numbers, from 1910 to 1911. How did that happen, with all this growing eagerness of the German manufacturers to get into our market?

Mr. MASON. The importations in 1911, in quantity of mantles, not value, would undoubtedly be equal to the quantity of mantles imported in the preceding year. The value of the German product is less. They have entered it at a very low price. In 1909 a mantle that would be entered at \$30 a thousand is entered at as low as \$25 or \$22 a thousand.

Senator WILLIAMS. Is that because it is worth only \$25 or \$22 now?

Mr. MASON. I do not think that is the real reason. I think it is because the article offers a very great opportunity for undervaluation.

Senator WILLIAMS. It offered that opportunity in 1909 as well as 1911, did it not?

Mr. MASON. That is true.

Senator WILLIAMS. The element of dishonesty entered into both years equally, did it not?

Mr. MASON. I should say yes; it did.

Senator WILLIAMS. The importations decreased from 71,500, in round numbers, to 58,750, in round numbers, from 1910 to 1911.

Mr. MASON. In value.

Senator WILLIAMS. Then you say that is the expression correctly in dollars, but in quantity the importation increases?

Mr. MASON. I do not say it increases. I think it would be about the same number of pieces. I have no way of telling it.

Senator WILLIAMS. How did prices of gas mantles compare with one another in the American market, the American-made gas mantles, during those two years?

Mr. MASON. The average selling price of gas mantles in the American market in 1911 was about \$4 to \$6 a thousand less than the preceding year.

Senator WILLIAMS. And is it not very reasonable to presume that the reason the imports fell off was because the price of the American manufactured article had gone down, and therefore the foreigner had that much harder time in competing?

Mr. MASON. There is no doubt about that. The American manufacturer is selling mantles, as I have stated, at practically the cost of the material and labor.

Senator WILLIAMS. We have had a great many gentlemen before us who have testified they have been working here lately at cost or at a loss. Do you mean to say that your business is being carried on now at a loss?

Mr. MASON. No, sir. In conclusion, I am prepared to give you exactly my company's business. The gross business of my company for the past year was \$5,174,263.80. The value of the gas mantle sales in that total was \$1,724,754.60; and the balance represented glassware produced in this country upon which there is a large labor charge; and manufactured brass goods, and some few sundry goods, manufactured goods. We paid for factory wages, for selling expense, or clerical hire, for administration, and for executive wages, and all salaries, \$1,115,436.96.

Senator WILLIAMS. That left you what?

Mr. MASON. If you take it from that \$5,000,000 it would leave us about \$4,000,000. The profits for the year, after deductions for depreciation and other charges, were \$250,989.76. We have accumulated a surplus in the past 10 years of \$608,952.17, and the capital invested in our business is \$4,725,000, or a capital and surplus of \$5,333,952.17. We consider that our business is profitable to a reasonable extent. The amount of profit we make is equal to about 4 or 5 per cent net on the capital invested.

Senator WILLIAMS. As to this particular article, gas mantles, the duty concerning which is being placed in controversy, you assert you have been losing money?

Mr. MASON. No, sir; I do not assert I have been losing money. My company does not compete in the American market for what we call the "trash."

Senator WILLIAMS. You have been making money on gas mantles, then?

Mr. MASON. We have been making money on gas mantles; yes, sir.

Senator WILLIAMS. And notwithstanding the fall in the price of gas mantles you have made money on them?

Mr. MASON. We have, and we expect to do so in the future.

Senator WILLIAMS. I thought you were joining in the general chorus that you were working for nothing.

Mr. MASON. No, sir. I simply wish to show that the items of monazite, thorium, and gas mantles go together, and the one should be equalized with the other in order that the entire industry may be conserved.

Senator WILLIAMS. I agree with you about that. I am ready to take the duty off monazite.

Thereupon, at 1.05 o'clock p. m., the committee adjourned until to-morrow, Friday, March 1, 1912, at 10.30 o'clock a. m.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 18

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909

FIRST PRINT

FRIDAY, MARCH 1, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

BOIES PENROSE, Pennsylvania, *Chairman.*

SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

WELDON B. HEYBURN, Idaho.

ROBERT M. LA FOLLETTE, Wisconsin.

JOSEPH W. BAILEY, Texas.

F. M. SIMMONS, North Carolina.

WILLIAM J. STONE, Missouri.

JOHN SHARP WILLIAMS, Mississippi.

JOHN W. KERN, Indiana.

CHARLES F. JOHNSON, Maine.

JOHN H. O'BRIEN, *Clerk.*

W. B. STEWART, *Assistant Clerk.*

II

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MAY 6 1917

FRIDAY, MARCH 1, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10.30 o'clock a. m.

Present: Senators Penrose (Chairman), Lodge, McCumber, Smoot, Heyburn, Simmons, Williams, and Johnson.

**STATEMENT OF MR. CHARLES F. ROCKWELL, OF MERIDEN, CONN.,
REPRESENTING THE MILLER BROS. CUTLERY CO., AND A NUM-
BER OF OTHERS.**

Mr. ROCKWELL. Mr. Chairman and gentlemen: Representing the manufacturers of at least 90 per cent of the pocket cutlery manufactured in the United States, I desire to protest against the adoption of the rates provided in paragraph 26 of the Underwood bill, and to urge the continuance of the present rates.

The names of these manufacturers are as follows: American Shear & Knife Co., Hotchkissville, Conn.; Empire Knife Co., Winsted, Conn.; New York Knife Co., Walden, N. Y.; Miller Bros. Cutlery Co., Meriden, Conn.; Walden Knife Co., Walden, N. Y.; Ulster Knife Co., Ellenville, N. Y.; Cattaraugus Cutlery Co., Little Valley, N. Y.; Robeson Cutlery Co., Perry, N. Y.; Holley Knife Co., Lakeville, Conn.; Humason & Beckley Manufacturing Co., New Britain, Conn.; Carrier Cutlery Co., Elmira, N. Y.; Warwick Knife Co., Warwick, N. Y.; Schatt & Morgan Cutlery Co., Titusville, Pa.; Novelty Cutlery Co., Canton, Ohio; Canton Cutlery Co., Canton, Ohio; Waterville Cutlery Co., Waterville, Conn.; Napanoch Knife Co., Napanoch, N. Y.; Foster Bros. & Chatillon, Fulton, N. Y.; Schrade Cutlery Co., Walden, N. Y.; J. Russell Cutlery Co., Turners Falls, Mass.; Northfield Knife Co., Northfield, Conn.; Case Bros. Cutlery Co., Little Valley, N. Y.; W. R. Case & Sons Cutlery Co., Bradford, Pa.; Challenge Cutlery Corporation, Bridgeport, Conn.; Camillus Cutlery Co., Camillus, N. Y.; Utica Cutlery Co., Utica, N. Y.

Of the cost of a pocketknife, 80 per cent is labor. The workmen in the American industry receive three times the amount that is paid in Germany, and more than double the English wages.

Senator SMOOT. Have you with you a list showing the wage paid to each class of workmen?

Mr. ROCKWELL. Yes, sir; I think it is in the brief that is before you, Senator.

Senator SMOOT. Perhaps you had better make that brief a part of your remarks, so that it will be in the record.

Mr. ROCKWELL. Yes, sir; I intended to do so.

The CHAIRMAN. All these briefs will be printed in the record.

Mr. ROCKWELL. The total consumption of pocket knives in the United States, figured at the selling price to the wholesaler, is \$5,000,000. The total American capacity is \$3,000,000. In other words, at the present time we are producing three-fifths of all the pocket knives sold in the United States. The Ways and Means Committee estimate that should the Underwood bill become a law, the importa-

tions of pocket knives would be increased from \$804,679 in 1911 to \$1,800,000.

Senator SMOOT. I suppose this \$804,679 of importations have been greatly undervalued, have they not?

Mr. ROCKWELL. I could not say as to that. There have been undervaluations.

Senator SMOOT. Do you know whether there have been any cases where it was charged that undervaluations were made by importers?

Mr. ROCKWELL. Yes, sir; there have been such cases.

Senator SMOOT. They have generally been proven, have they not?

Mr. ROCKWELL. According to the press dispatches; yes, sir.

The CHAIRMAN. Do you happen to know how many men are employed in the cutlery business in the United States?

Mr. ROCKWELL. About 4,000, Senator.

The CHAIRMAN. What States have these industries located in them?

Mr. ROCKWELL. We state that in the brief—New York, Connecticut, Massachusetts, New Jersey, Pennsylvania, and Ohio.

The CHAIRMAN. All right, if it is in the brief.

Senator SMOOT. The Democratic bill as reported reduces the rate to 35 per cent ad valorem, which is more than one-half of the present equivalent ad valorem rate?

Mr. ROCKWELL. Yes, sir.

Senator SMOOT. What result would that have upon the business?

Mr. ROCKWELL. I think without any question, Senator, it would practically wipe it out.

Senator SMOOT. And instead of a \$1,000,000 more of importations it would virtually destroy the business, and whatever we got we would have to import from foreign countries?

Mr. ROCKWELL. Yes, sir. I was about to bring that out. Take the \$1,000,000 additional importations which they propose to bring in. It would, in reality, amount to \$2,000,000 with duty and expense added, which, added to the \$2,000,000 at present imported, would make a total of importations of \$4,000,000, leaving, under the most favorable conditions, only \$1,000,000 to be divided among the 35 factories now engaged in the industry.

Senator SMOOT. How many men did you say were employed in this industry?

Mr. ROCKWELL. Approximately 4,000.

That is all, Senator, that I have to present in our case, with the exception of this brief, in which we have tried to embody as concisely as possible such facts as would be of interest.

The CHAIRMAN. Have you anything further to state to the committee?

Mr. ROCKWELL. Nothing further, except to file this brief.

The CHAIRMAN. Is there anyone else with you, representing the cutlery people, who wants to be heard?

Mr. ROCKWELL. There are some workmen representing the employees of the three factories at Walden, N. Y., which is the center of the American pocket cutlery industry.

The CHAIRMAN. I have not their names. If you will call them, the committee will be glad to hear them.

Mr. ROCKWELL. Mr. Durkee is the first on the calendar, I believe.

The brief submitted by Mr. Rockwell is as follows:

To the Honorable Committee on Finance, United States Senate:

GENTLEMEN: The manufacturers of pocket cutlery in the United States protest against the adoption of the uniform ad valorem rate of 35 per cent as provided in H. R. 18642, paragraph 26, and strongly urge that present rates and administrative clauses relating to the importation of pocket knives be continued.

There are in operation at the present time about 35 factories (located in New York, Connecticut, Massachusetts, New Jersey, Pennsylvania, and Ohio) engaged in the manufacture of pocket cutlery, each absolutely distinct from all others as to ownership, interest, or control, and in active competition with each other, and in which the average profit does not exceed 6 per cent.

The actual proportion of labor to cost of American pocket cutlery is 80 per cent. Wages of cutlery operatives in the United States are three times greater than in Germany and more than double those paid in England. More than 4,000 operatives are employed in the manufacture of pocket cutlery in this country, at wages ranging from \$3 to \$4.50 per day for skilled workmen. The total amount of pocket cutlery produced in the United States is approximately \$3,000,000.

In a comparison of representative patterns, staple in both foreign and domestic lines, in no instance did the landed value of the imported knife equal the labor cost alone of the corresponding American pattern, making no allowance for material, expense, or profit.

The number of knives imported under the Dingley tariff in 1905 at the 79.50 per cent rate was 13,096,195, value \$835,844, duty \$664,564. In 1910, under the present Payne tariff bill, there were 12,642,068 knives imported, valued at \$739,662, which paid in duties \$604,164, at the rate of 76.51 per cent. In 1911, under the same law, at the rate of 77.62 per cent there were 12,196,950 knives imported, valued at \$804,679, which paid duties to the amount of \$624,624.

The Ways and Means Committee estimate the operation of H. R. 18642 will increase the importation of pocket knives from \$804,679 to \$1,800,000, which at the proposed rate of 35 per cent ad valorem would yield in revenue only \$630,000, making an increase in revenue of but \$6,000, at the cost in wages to American workmen of \$1,250,000, with no benefit to the consumer, but a loss in American production of \$2,000,000.

As conditions are now, the workmen in the cutlery industry are none too busy and pocket knives to the amount of \$804,679 were imported in 1911. The importation of the estimated \$1,000,000 additional would mean the destruction of the American industry.

CHARLES F. ROCKWELL, *Meriden, Conn.,*

C. DWIGHT DIVINE, *Ellenville, N. Y.,*

Committee Representing American Pocket Cutlery Manufacturers.

WASHINGTON, D. C., *February 28, 1912.*

Comparison of weekly wages paid to operatives abroad and in the United States.

	Average paid in Austria, Belgium, and Germany.	Average paid in United States.
Forgers.....	\$4.30 to \$7.00	\$15.00 to \$23.00
Grinders.....	4.50 to 8.00	16.00 to 27.00
Blade finishers.....	4.50 to 6.00	12.00 to 18.00
Handle finishers.....	4.50 to 6.00	12.00 to 18.00
Triflers.....	5.00 to 6.50	15.00 to 21.00

1082 DUTIES ON METALS AND MANUFACTURES OF METALS.

The actual proportion of labor to cost of American pocket cutlery is 80 per cent.

Total pocketknife importations, 1895-1911.

Year.	Dozens.	Value.	Duty.	Unit value.	Ad valorem equivalent.
1895.....	1,138,124	\$1,130,298.00	\$902,657.00	.....	53½ per cent (Wilson bill).
1896.....	1,266,882	1,300,762.00	601,032.00	.....	Do.
1897.....	1,585,014	1,464,350.00	767,314.00	\$0.076	52.40 per cent (Wilson bill).
1898.....	118,518	111,384.00	58,248.00	.....	} 71.05 per cent (Dingley bill).
1898.....	457,564	333,671.00	257,933.00	.....	
1899.....	823,020	604,372.00	467,133.00	.061	77.25 per cent (Dingley bill).
1900.....	1,072,995	764,448.00	588,022.00	.06	76.92 per cent (Dingley bill).
1901.....	904,328	741,660.00	592,702.00	.068	79.92 per cent (Dingley bill).
1902.....	1,014,047	846,538.00	678,261.00	.069	80.12 per cent (Dingley bill).
1903.....	1,146,613	818,319.00	639,864.00	.059	78.19 per cent (Dingley bill).
1904.....	1,156,273	896,717.00	695,147.00	.065	77.53 per cent (Dingley bill).
1905.....	1,091,171	835,599.00	664,348.00	.064	79.50 per cent (Dingley bill).
1906.....	958,515	838,129.00	651,306.00	.073	77.71 per cent (Dingley bill).
1907.....	1,234,007	1,007,799.00	788,396.00	.068	78.22 per cent (Dingley bill).
1908.....	900,232	845,553.65	673,127.42	.078	79.60 per cent (Dingley bill).
1909.....	827,089	709,952.09	572,457.32	.072	80.63 per cent (Dingley bill).
1910.....	1,053,505	789,561.90	604,223.54	.064	78.55 per cent (Payne bill).
1911.....	990,837	804,679.00	624,624.00	.066	77.62 per cent (Payne bill).

STATEMENT OF MR. WILLIAM M. DURKEE, OF WALDEN, N. Y., REPRESENTING EMPLOYEES OF CUTLERY MANUFACTURERS.

The CHAIRMAN. Will you state your full name to the committee, Mr. Durkee?

Mr. DURKEE. William M. Durkee.

The CHAIRMAN. Where are you employed?

Mr. DURKEE. In the New York Knife Co.'s works at Walden, N. Y.

The CHAIRMAN. What is your position there?

Mr. DURKEE. Journeyman workman.

The CHAIRMAN. How long have you been employed there?

Mr. DURKEE. I have been employed in that factory for nearly all my working life, with the exception of two years, which would be something over 40 years.

The CHAIRMAN. Will you go on and state to the committee your views regarding the proposed legislation?

Mr. DURKEE. With your permission, I will read some resolutions adopted by the workmen in our factories.

The CHAIRMAN. All right; the committee will hear them.

Mr. Durkee read the following resolutions:

WALDEN, N. Y., February 26, 1912.

SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

GENTLEMEN: At a meeting of the cutlery workmen held on February 26, 1912, the following resolutions were adopted:

"Resolved, That we, the workmen employed in the cutlery industry in the village of Walden, Orange County, N. Y., in mass meeting assembled, do earnestly protest against the proposed amendment to the tariff law reducing the duty to 35 per cent ad valorem."

We would call attention to the fact that the present rate, as shown by the importations of the past year, is not too high; and that any reduction in the rate would mean an increase in importation and a closing of the factories here, or a reduction in wage to meet the lower prices.

Being mindful of the hardships entailed on us and our families by previous tariff reductions, we would therefore earnestly request you to use your best efforts for the retention of the present duty.

Messrs. Wm. M. Durkee, Jesse D. Mitchell, and Herbert Dunworth were appointed to present same to your committee.

W. B. STEWART, *Chairman*.
C. V. BUNTING, *Secretary*.

The CHAIRMAN. Do you know anything about the difference between the wages paid in this industry in this country and those paid in foreign countries?

Mr. DURKEE. I know very little about that, except as I have gathered in a general way that the wages in this country exceed those of Germany by more than one-half. That is a subject that I know very little about, and only know it in a general way as I have heard it.

Senator SMOOT. That is, that they receive in this country double the wages that they do in Germany?

Mr. DURKEE. Yes, sir.

Senator SMOOT. Let me ask you this question in relation to the wages in this country: Are forgers in this country receiving \$15 to \$23 a week? Is that the regular rate?

Mr. DURKEE. I will state, in answer to that, that in the factory where I am employed the skilled workmen, the cutlers (which perhaps would be a good class for me to talk about, as I am particularly engaged in that branch of the trade) can earn from \$16 to \$21 a week.

Senator SMOOT. Do you know what the handle-finishers earn?

Mr. DURKEE. They will earn, to the best of my knowledge, from \$12 to \$15 a week, I should think. Of course, I do not know about that fully.

Senator SMOOT. Do you know what the grinders receive?

Mr. DURKEE. No, sir.

Senator SMOOT. Is there anything else you wish to state?

The CHAIRMAN. Do you wish to say anything more to the committee?

Mr. DURKEE. The only thing I should like to state, Mr. Chairman, is that we have been sent here by the workmen in our factories to use our best efforts to have the present rate of duty retained. We feel that any reduction would cause us to be slack of work, and would also lead to a reduction in the present rate of wages.

Senator SIMMONS. You have stated what the skilled workmen in your factories receive. What do the unskilled laborers in your factory receive?

Mr. DURKEE. I am not sufficiently acquainted with that part of the subject to give you any information about it.

Senator Simmons. What position do I understand you to say you hold in the factory?

Mr. DURKEE. I hold no position except that of a journeyman workman.

Senator SIMMONS. You do not know what the unskilled laborers in the factories receive?

Mr. DURKEE. No; I could not give you an intelligent idea of that.

The CHAIRMAN. Most of the labor in the cutlery industry is skilled labor, is it?

Mr. DURKEE. Very largely; yes, sir.

Senator SIMMONS. Not all of it by any means. What percentage?

Mr. DURKEE. That I could not say.

Senator SIMMONS. You say you do not know anything about foreign wages in the cutlery industry except what you have heard in a general way? That is your only information about that?

Mr. DURKEE. Yes, sir.

Senator SIMMONS. You do not know to what extent the product of the American cutlery industry is sold abroad?

Mr. DURKEE. No, sir.

Senator SIMMONS. You do not know whether any of it is sold in Europe or not?

Mr. DURKEE. No, sir. My impression is that very little is, though.

**STATEMENT OF MR. JESSE D. MITCHELL, OF WALDEN, N. Y.,
REPRESENTING EMPLOYEES OF CUTLERY MANUFACTURERS.**

The CHAIRMAN. Mr. Mitchell, if you have anything to add to what Mr. Durkee has stated, the committee will hear you.

Mr. MITCHELL. Mr. Chairman and gentlemen, I work in the same town with my fellow workman, Mr. Durkee, in the same line of business, and I think from the general way things go a reduction in the tariff would mean a reduction of wages.

Senator SMOOT. If the importations should increase \$1,000,000 you feel that that would be simply taking away that much work from the American workmen, do you?

Mr. MITCHELL. Yes, sir.

Senator SIMMONS. Is it your idea that there ought not to be any importations at all allowed in this country? Is that your notion of what a tariff ought to do?

Mr. MITCHELL. The importations ought to pay a duty, so that skilled wages here will be protected, you know.

Senator SIMMONS. But do you think we ought to levy a tariff that will not allow any cutlery to come into this country in competition with that which is made here? Is that your notion—that a tariff ought to be not protective, but prohibitive? Is that your theory?

Mr. MITCHELL. Yes, sir.

Senator SIMMONS. You believe in a prohibitive tariff? That is all.

Senator SMOOT. If 40 per cent of the American consumption of pocketknives and cutlery is now imported, you think that should not be increased?

Mr. MITCHELL. No; I think that is sufficient, in a general way.

The CHAIRMAN. Are you through?

Mr. MITCHELL. I think so; yes, sir.

**STATEMENT OF MR. HERBERT DUNWORTH, OF WALDEN, N. Y.,
REPRESENTING EMPLOYEES OF CUTLERY MANUFACTURERS.**

Mr. DUNWORTH. Mr. Chairman and Senators, I come here on behalf of the cutlery employees of the village of Walden to enter my protest against this reduction of the tariff. At the present time in Walden we are prosperous to a certain extent, although there is a little dissatisfaction in regard to the tariff. Business is not what it ought to be. Some of the men have work, and others are stinted to a certain extent. At this time the buyers in the country, as we

understand, are not buying any goods; and for that reason the cutlers, and all the people employed in the shops in Walden, enter a protest to you gentlemen against this reduction.

As far as my personal protest is concerned, gentlemen, that is all I have to say. I am perfectly willing, as far as my knowledge goes, to answer any questions as to anything that any of you gentlemen would like to ask about.

The CHAIRMAN. Is that all, Mr. Dunworth?

Mr. DUNWORTH. Yes, sir.

STATEMENT OF MR. CHARLES J. PILLING, OF PHILADELPHIA, PA., REPRESENTING THE GEORGE P. PILLING & SON CO.

The CHAIRMAN. You may proceed, Mr. Pilling.

Mr. PILLING. Gentlemen, our attention has been called to the change proposed in this bill, H. R. 18642, which affects surgical instruments.

Senator SIMMONS. What section do you refer to?

Mr. PILLING. I refer to the House bill, in which there are four paragraphs that affect our industry. The paragraphs are so indefinitely stated that there are four of them that cover surgical instruments—26, 32, 65, and 66.

The CHAIRMAN. Surgical instruments were on the free list in the Payne bill, were they not?

Mr. PILLING. No, sir.

The CHAIRMAN. I had forgotten that, then.

Mr. PILLING. They came in under the 45 per cent clause, which covered goods manufactured of steel, brass, etc., that were not otherwise listed.

The CHAIRMAN. I remembered that there was a strong application made to the committee to put them on the free list, and I had forgotten just what we did with them.

Senator SMOOT. They were left in the basket clause.

The CHAIRMAN. Yes; they were left in the basket clause.

Mr. PILLING. The surgical-instrument industry of this country is one that has been worked up by skilled laborers, and nothing but skilled laborers. The cost of manufacturing surgical instruments is nearly all labor and very little material. If the duty is reduced, it will mean the destruction of the industry in which these laborers are engaged. Already, to-day, about 75 per cent of the surgical instruments used here are imported into this country at the 45 per cent rate, so we do not know where we would be at the proposed 25 per cent rate.

A surgical-instrument maker can not go out and enter another field, because he does not know how to do anything else. Their wages run from \$15 to \$18 a week; sometimes a little bit higher. In Germany they run about half that for surgical instruments. I was over there last summer investigating some of the instrument sections of Germany, and I found that the wages are very low over there; that their employees do not live as well as we do in this country, and for that reason we wish to protest very much against a reduction from 45 to 25 per cent.

Senator WILLIAMS. Is that your reason—just to protect the labor?

Mr. PILLING. To protect the labor; yes, sir.

Senator WILLIAMS. You have no idea at all of protecting the profits of the manufacturer?

Mr. PILLING. Protecting the laborer, of course, does affect the manufacturer. The manufacturer can not get along without the laborer, and the laborer can not get along without the manufacturer.

Senator WILLIAMS. You have no idea of attaining any higher profits or maintaining any higher profits for yourselves?

Mr. PILLING. No, sir; no, sir.

Senator WILLIAMS. You are urging this purely in the interest of the laboring man?

Mr. PILLING. It is very difficult, as I said a moment ago, to meet the competition that now comes in from Germany even at 45 per cent, sir.

Senator WILLIAMS. Your sole reason for protesting is to protect the laboring man?

Mr. PILLING. In connection with the manufacturer.

Senator WILLIAMS. Ah! Then you have some idea of maintaining a profit for yourselves, have you?

Mr. PILLING. Yes, sir; maintaining a living profit, which we now have.

Senator WILLIAMS. Have you more than a living profit now?

Mr. PILLING. No more than in other lines, sir.

Senator WILLIAMS. What profit are you making?

Mr. PILLING. We figure that we make a net profit of from 10 to 12½ per cent, sir.

Senator WILLIAMS. From 10 to 12½ per cent?

Mr. PILLING. Yes, sir.

Senator WILLIAMS. If you have not the statement with you, would you mind leaving with the clerk a statement of what your annual sales have been for the last five years, and also what your annual labor roll has been for the same time, taken from your books?

Mr. PILLING. I have no objection to sending that; no, sir.

Senator WILLIAMS. Then would you have any objection to adding to it a statement of what dividends you have declared, what surplus you have added, and what improvements you have made to your works?

Mr. PILLING. None at all, sir.

Senator WILLIAMS. I wish you would do that, then, before you leave.

Mr. PILLING. I can not do it before I leave, sir.

Senator WILLIAMS. But I say, before you leave, get from the clerk the questions, so that you will know just what you are doing.

Mr. PILLING. I shall be very glad to do so, sir.

Senator SIMMONS. You said you were over in Germany and that the German laborers over there did not live as well as they do in this country. I was over there myself and saw a good many German laborers. Of course, I did not go in their houses and find out what menu they had for breakfast; but they presented just as good an appearance and seemed to be just as well clothed as our laborers are.

Mr. PILLING. Yes.

Senator SIMMONS. Did you go into the homes of any of them?

Mr. PILLING. I did not go into their homes, but I inquired among people that were thoroughly posted there.

Senator SIMMONS. They told you that they did not live well in their homes, did they?

Mr. PILLING. They told us that they had to live very economically and not as well as they understood our laborers live in our country, sir.

Senator WILLIAMS. "As they understood?"

Mr. PILLING. They are pretty well posted.

Senator WILLIAMS. Do you mean that the people you saw there are well posted about America and know how American laborers live?

Mr. PILLING. Yes, sir; they talked intelligently about the matter.

Senator SMOOT. You have never seen women working on the streets in the United States, have you?

Mr. PILLING. No; but I saw them working over there in the factories.

Senator SIMMONS. They work in factories here.

Mr. PILLING. Not at the same kind of labor. I mean I saw them working at men's labor over there.

Senator WILLIAMS. From whence do we import such surgical instruments as are imported?

Mr. PILLING. From what section? All through the cutlery districts of Germany.

Senator WILLIAMS. Are none of them imported from Great Britain?

Mr. PILLING. There are a few imported from Great Britain; but Great Britain is not known as a surgical-instrument center, the same as Germany. There are also a few imported from France; but practically speaking, the bulk of them comes from Germany.

Senator WILLIAMS. Are or are not the German manufacturers of surgical instruments celebrated for the quality of their instruments?

Mr. PILLING. What kind of quality?

Senator WILLIAMS. Good quality.

Mr. PILLING. Not any more so than Americans. In fact, some of the German importations are not considered as good as the products of the American manufacturers.

Senator WILLIAMS. Some of them, you say?

Mr. PILLING. Yes, sir; but I do not think we can very well compare the quality. Practically I do not think there is very much difference.

Senator SIMMONS. Do you think the tariff amounts to the difference between German and American wages?

Mr. PILLING. I think it has a great deal to do with it; yes, sir.

Senator SIMMONS. Do you know what the German tariff is on surgical instruments? They maintain a pretty high tariff over there?

Mr. PILLING. Between there and the United States?

Senator SIMMONS. They are one of the highest protection countries in the world, I believe.

Mr. PILLING. I do not quite understand your question, sir. Do you mean toward importing goods into Germany?

Senator SIMMONS. Oh, no. You said you thought the tariff accounted for the difference in wages between Germany and this country. I ask you if you know what the German tariff is on your product?

Mr. PILLING. From Germany into the United States?

Senator SIMMONS. Oh, no; what the German tariff is on that article when imported into Germany from some other country?

Mr. PILLING. That is like carrying coals to Newcastle. I do not think there are any imported into Germany, unless it happens to be some specialty.

Senator SIMMONS. There are a good many things that are not imported into this country upon which we have very high tariff rates. That is not an answer to my question. My question is, Do you know what the duty is on surgical instruments in Germany?

Mr. PILLING. No, sir; I do not, sir. The only reply I can make to that is this—

Senator SMOOT. Do you know what it is, Senator?

Senator SIMMONS. No, I do not. That is why I am asking.

Senator SMOOT. I was wondering what it was. I do not know, either. I thought if you knew I would like to know.

The CHAIRMAN. The question is very frequently asked me. We have a German tariff here, I think.

Senator SMOOT. I have just asked to have it sent in.

Senator SIMMONS. I think we had better have it. I think it would be illuminating in connection with this witness's testimony. I believe it is a fact that the Germans maintain a very high protective tariff system; and yet witness after witness comes here and says that the German wages are only half what they are in this country, and contends that the tariff in this country makes wages high. I want to know, then, why it will not make wages high in Germany.

Mr. PILLING. Because they make the raw material in Germany; they do not import any into Germany; and the cost of the surgical instruments—

Senator SIMMONS. Do you know that they do not import any surgical instruments into Germany?

Mr. PILLING. Practically speaking; they may bring in a few specialties.

Senator SIMMONS. When you say "practically speaking," what are you speaking from? You say we make them in this country, and we import them into this country. The fact that they are made in Germany does not necessarily prove that none are imported there; and I want you, and I think the committee wants you, to speak from knowledge if you speak at all.

Mr. PILLING. I am speaking only from the knowledge that I have from having been brought up in the business and absorbing all the information I could get for the last 25 years, sir. But I can not tell you positively, I could not swear, that there are no goods or that there is 1 per cent or 2 per cent of goods imported into Germany. I do not know. But practically speaking, we never consider such a thing as surgical instruments being imported into Germany. It is a question of bringing them out of Germany into the United States.

Senator SIMMONS. Why do you not consider it?

Mr. PILLING. Because they make them all there.

Senator SIMMONS. Do you not make them here, too?

Mr. PILLING. Yes, sir.

Senator SIMMONS. And they are imported here from Germany, you say?

Mr. PILLING. They are imported here from Germany; yes, sir.

Senator SIMMONS. So the fact that they make them in Germany does not prove that they are not imported there, because we make a great many things in this country and some of them are imported here.

Mr. PILLING. Yes; and that is what we want to continue to do—to make surgical instruments here, sir.

The CHAIRMAN. I suppose they make them cheaper than we do, and for that reason they can often undersell us in this market?

Mr. PILLING. Senator, they manufacture surgical instruments in Germany, and they pay 45 per cent duty and the freight, and they bring them over here and then undersell us.

The CHAIRMAN. The freight is not much of an item on surgical instruments, I suppose?

Mr. PILLING. Not much; no, sir; it amounts to about a total of 50 per cent by the time they bring them over here, with their clearances.

Senator SIMMONS. But it has been repeatedly shown in these hearings that we import things into Germany and pay the duties over there, import things into other countries and pay the duties over there, and sell them in competition with the German manufacturers and the English manufacturers and all the other manufacturers.

Mr. PILLING. May I reply to that?

Senator SIMMONS. Yes.

Mr. PILLING. Now and then we all send a specialty to Germany, where there is a small quantity made. But just as soon as a new instrument comes out in this country, it is shipped over to Germany by the first mail or express, and immediately they begin to work on it, manufacture it, send it back to this country, and undersell us.

Senator HEYBURN. You mean they copy it?

Mr. PILLING. They make copies; yes, sir.

Senator SIMMONS. Is all the initiative in this country?

Mr. PILLING. Not all of it; but the Americans are known as designers and the Germans as copyers.

Senator SIMMONS. They copy it immediately?

Mr. PILLING. They copy it immediately.

Senator SIMMONS. And then undersell you here at home?

Mr. PILLING. And then come back and undersell us; yes, sir.

Senator SIMMONS. Can you tell us the amount of surgical instruments, in dollars, that were imported into this country last year?

Mr. PILLING. No, sir; I do not know.

Senator SIMMONS. You do not know that?

Mr. PILLING. No, sir.

Senator SIMMONS. Is it your idea that we ought to fix the tariff so high that none at all can come into this country?

Mr. PILLING. No, sir. I believe in competition. Let it remain as it is, at 45 per cent, sir. Others have suggested that it ought to be 60 per cent.

Senator SIMMONS. You come here to protest against any reduction of this duty?

Mr. PILLING. Yes, sir.

Senator SIMMONS. On the ground that if it is reduced Germany will flood the markets; and yet you have not taken the trouble to find out the amount of importations to this country of surgical instruments?

Mr. PILLING. Not the exact figures.

Senator SIMMONS. Do you know about how much is imported, then?

Mr. PILLING. I should say about 75 per cent.

Senator SIMMONS. Seventy-five per cent of what?

Mr. PILLING. Of the consumption in this country.

Senator SIMMONS. Seventy-five per cent of the total consumption of instruments in this country?

Mr. PILLING. Yes, sir. I am speaking there in a general way.

Senator SIMMONS. How long have we been manufacturing surgical instruments in this country?

Mr. PILLING. Our firm?

Senator SIMMONS. No. How long have we been producing or manufacturing surgical instruments in this country?

Mr. PILLING. Our firm, year after next, in 1914, will be 100 years old. We have been making instruments in a small way from that time on, and we have grown a little larger. Others have been making them for the same time.

Senator SIMMONS. And with a duty of 45 per cent, you say the Germans are importing three-fourths of all the surgical instruments that are used in this country?

Mr. PILLING. I say they come largely from Germany. A few come from Great Britain and France. I think that pretty nearly covers the situation.

Senator SIMMONS. What percentage of the cost of manufacturing surgical instruments is represented by labor?

Mr. PILLING. Nearly nine-tenths of it. The material is a very small fraction of it.

Senator SIMMONS. How many laborers do you employ in your factory?

Mr. PILLING. We employ from 100 to 125, sir.

Senator SIMMONS. What is the value of your annual output?

Mr. PILLING. Our annual output would represent probably between \$150,000 and \$175,000, sir.

Senator SIMMONS. What are your net profits on that?

Mr. PILLING. Our net profits run from about 10 to 12 per cent, sir. They are not excessive for the risk we run.

Senator SIMMONS. What is your annual labor roll?

Mr. PILLING. I can not tell that. I can send it to you, sir.

Senator SIMMONS. Tell us about what it is. Then you can send the exact figures later.

Mr. PILLING. Counting other expenses besides labor?

Senator SIMMONS. No; I am talking about labor now.

Mr. PILLING. Manufacturing and office labor?

Senator SIMMONS. I am talking about your factory labor.

Mr. PILLING. I do not know how much that would be, sir.

Senator SIMMONS. Can you not approximate it?

Mr. PILLING. Not without looking at my books.

Senator SIMMONS. You can not get anywhere near it?

Mr. PILLING. No, sir.

Senator SIMMONS. Will you furnish the committee with a statement from your books showing your total annual output?

Mr. PILLING. I shall be very glad to do so, sir.

Senator SIMMONS. Also showing the total amount paid for labor, overhead charges, and dividends?

Mr. PILLING. Yes, sir.

Senator SIMMONS. And any surplus or any part of the profits invested in improvements and betterments?

Mr. PILLING. I shall be very glad to; yes, sir.

The CHAIRMAN. Will you proceed with your statement, Mr. Pilling?

Mr. PILLING. I think I have nothing further to say, Senator.

Senator WILLIAMS. One question before you go: Is machinery largely used in making these surgical instruments?

Mr. PILLING. Yes; in both countries. I am glad you asked that question, sir. They are now shipping a great many American machines to Germany for manufacture in our line.

Senator WILLIAMS. I thought I heard you say a moment ago—perhaps I misunderstood you—that the labor cost of surgical instruments is about 90 per cent of the total cost.

Mr. PILLING. I said that, taking the cost of running the business and the labor, it amounts to about 90 per cent. The value of the material is a very, very small percentage.

Senator WILLIAMS. Yes; but did you, or did you not, say that the labor cost was 90 per cent of the total cost of manufacture?

Mr. PILLING. I said that the cost of manufacturing—exclusive of the material, I meant—was about 90 per cent. That is what I meant.

Senator WILLIAMS. Ah! Then the total cost of manufacturing, exclusive of material, was what you meant. And as a part of the total cost, of course, you charge the interest upon the investment, and the deterioration of machinery, and all other expenses of manufacturing?

Mr. PILLING. The cost of doing business; yes, sir.

Senator WILLIAMS. I thought probably you had made an inadvertent statement.

Mr. PILLING. Yes; I am obliged to you for correcting me.

I thank you very much, gentlemen.

STATEMENT OF MR. FAIRLEIGH S. DICKINSON, OF RUTHERFORD, N. J., REPRESENTING BECTON, DICKINSON & CO.

Mr. DICKINSON. Gentlemen, Mr. Pilling has said a great deal that I otherwise would have said. I have been actively engaged in this business for 15 years, and I have had a great deal to do with the manufacturing end of the business. Like Mr. Pilling, I have visited Germany, Great Britain, and France in the interest of our business. We employ in our factory about 150 people. Our pay roll is approximately \$100,000 a year. We produce there, speaking of the selling price, I should say \$225,000 annually. I was not asked to come to this hearing until yesterday. In fact, I did not know until then that it would be held.

Senator SIMMONS. Just let me ask this question right there: You say your pay roll is \$100,000 a year?

Mr. DICKINSON. Our pay roll is \$100,000 a year?

Senator SIMMONS. And your output is how much?

Mr. DICKINSON. About \$225,000.

Senator SMOOT. That is the selling price?

Mr. DICKINSON. The selling price.

Senator SMOOT. Not the cost price?

Mr. DICKINSON. Not the cost price.

Senator SIMMONS. What is the difference between the selling price and the cost price?

Mr. DICKINSON. The cost price of an article is a complicated proposition. Do you mean the raw cost?

Senator SIMMONS. You have to keep up with that in order to determine how much your profits are, do you not?

Mr. DICKINSON. Do you refer to the raw cost?

Senator SIMMONS. I mean the total cost of production, or the net cost, so to speak.

Mr. DICKINSON. Do you refer to the raw cost of goods or the cost as represented by the difference between our selling price and—

Senator SIMMONS. I should say that would get it better, as represented by the difference between your selling price and your cost price.

Mr. DICKINSON. Our margin of profit has been about 12 per cent. Some years it has gone up as high as 14 per cent.

Senator SIMMONS. After you deduct 12 per cent from your \$225,000 and then take out your labor cost of \$100,000, all the balance represents cost in excess of labor?

Mr. DICKINSON. Yes.

Senator SMOOT. That is, that represents overhead cost and everything else in the mill?

Mr. DICKINSON. Our net profits have ranged from nothing to 16 per cent. Sixteen per cent is the highest earning we have ever made in our business.

Senator SIMMONS. What part of your selling price, according to your statement, is represented by labor?

Mr. DICKINSON. By factory labor?

Senator SIMMONS. Labor of production.

Mr. DICKINSON. Our \$100,000 pay roll is the cost of production—that is, the labor of production.

Senator SIMMONS. Then, what per cent of the cost of production is labor? That is what I want.

Mr. DICKINSON. That would be about 45 per cent.

Senator SIMMONS. 45 per cent?

Mr. DICKINSON. Yes, sir.

Senator SIMMONS. The other gentleman thought it was 90 per cent.

Mr. DICKINSON. Yes, sir; but you are not arguing from the same point that he is. I am dealing in raw cost. He was dealing with the cost of production of an instrument and the relation of labor and material to the total raw cost of the instrument, as I understood him.

Senator HEYBURN. That instrument?

Mr. DICKINSON. Yes, sir; that particular instrument. There is a certain amount of labor that enters into the production of this instrument and there is a certain amount of material. He said, as I understood him, that the cost of labor was about 90 per cent of the two items combined.

Senator SIMMONS. According to you, then, the labor cost is about 45 per cent?

Mr. DICKINSON. No, sir; 45 per cent of the selling price. That selling price has to provide for all overhead expenses, depreciation in machinery, loss in doing business, and provide our profits.

Senator SIMMONS. Take off \$25,000 for your profits. You say your profits are from nothing to 16 per cent?

Mr. DICKINSON. Yes, sir.

Senator SIMMONS. Take off \$25,000; that would be a mighty liberal deduction. Then, upon \$100,000 of labor, you would produce \$200,000 worth of material. That would make your labor cost, upon that basis, 50 per cent?

Mr. DICKINSON. Yes; but, again, suppose we provide for packing cases, salesmen on the road selling the goods, insurance, and all the items that enter into the expense of doing business.

Senator SIMMONS. Do you want the salesman protected, too?

Senator SMOOT. That is part of the cost.

Mr. DICKINSON. We would like to have him protected to the extent of being able to hold his job, sir. We would like to keep him on the pay roll.

Senator SIMMONS. You say you are asking for this protection for the laboring man?

Mr. DICKINSON. I have not said what I was asking for protection for, sir. The first thing I am here to consider is the life of our business. We are doing a \$225,000 business, and we have \$281,000 invested in the business. I can not give you the exact figures; but having traveled this country over, and having visited the trade that buy goods, and having seen the stock, and having seen the organization of the importing houses in this country, the amount of capital they apparently have, their force, their traveling men, etc., I would put the number of instruments imported here higher in percentage than Mr. Pilling does. I believe 85 per cent of the metallic surgical instruments used in this country are imported; and it is only certain classes of goods that we can touch at all.

Senator SMOOT. The importer does not pay any taxes at all in this country, does he?

Mr. DICKINSON. Very little. He goes around to the trade, solicits orders on an import basis, and they are brought in through the customhouse and sent, largely, directly to the trade.

Senator SMOOT. In other words, you are interested in the tariff for the purpose of maintaining your business?

Mr. DICKINSON. The life of our business.

Senator SMOOT. And if your business is not kept alive, that will affect the laboring man by throwing him out of employment?

Mr. DICKINSON. Yes, sir; it certainly will.

Senator SIMMONS. I want to see what your idea of protection is. Is your idea of protection the difference between the labor cost here and abroad, or do you think you ought to have the full amount of the labor cost here?

Mr. DICKINSON. I feel, sir, that not only as far as our interest is concerned, but all interests, we should have sufficient protection to keep our product on the market, and not have our workmen idle and our capital idle and the Europeans busy.

Senator SIMMONS. Suppose you had a duty equal to the total labor cost abroad, would not that be enough protection for you?

Mr. DICKINSON. The protection that we need is protection sufficient to keep the American workmen employed.

Senator SIMMONS. You do not contend that 45 per cent of your product measures the difference between labor cost here and abroad, do you?

Mr. DICKINSON. I mean that 45 per cent on surgical instruments precludes the manufacture of more than three-fourths of the instruments used in this country. It precludes their manufacture here, and enables the foreigner to bring them into this country.

Senator SMOOT. The difference in wage is more than 45 per cent, is it not?

Mr. DICKINSON. Between our country and abroad?

Senator SMOOT. Yes.

Mr. DICKINSON. I will tell you what I saw in Germany. I did not do as Mr. Pilling did. I went right into the homes of the people and the homes of the manufacturers. One-half of the workmen employed in our factory live better than the principals of the business that I visited in Germany. I found men working 12 and 14 hours a day. I found their children working at the bench. Most of these goods are hand-made instruments, and a man takes them home to his family, and his wife makes the instruments; his 12 or 14 year old girl works at it; his boys work at it. They get up in the morning and they work before breakfast and they work after breakfast and after they have had their dinner.

Senator SIMMONS. Are they working on day wages or piecework wages?

Mr. DICKINSON. A great many of these goods are made in the home on account of their being handwork.

Senator SIMMONS. Then they are working by the piece when they are making them at home, are they?

Mr. DICKINSON. Yes; they make them on contract; that is, an exporter or some local house will agree to pay a certain man so much a dozen for catheters, or so much a hundred, or so much for probes. This man becomes quite expert in making his particular class of goods, and he breaks his family in to do a little rough work; and he sits there at the bench and works in his own house all day and makes these goods and delivers them to the principal. Then the principal will send them to this country or to South America. We try to sell goods in South America, but the only thing we can sell down there is specialties. We have been approached a great many times by exploiters to get our goods into Central and South American countries. We have tried that four or five times. We are successful on specialties, things that originate in this country and have not been copied abroad. They will do a good business, as we are doing right now in several new dental specialties; we are doing a very good business in South America. When that salesman goes back there a year from now he will not sell those goods, but he will write us persistently that these goods have been largely copied by the German manufacturers and sold for practically one-half our price.

Senator SIMMONS. When did you start in South America?

Mr. DICKINSON. About 10 years ago we first tried to sell there.

Senator SIMMONS. How much do you sell there now?

Mr. DICKINSON. Our total business in South America?

Senator SIMMONS. Yes.

Mr. DICKINSON. I have not the figures. I can only estimate it. Probably \$15,000 a year.

Senator WILLIAMS. How long has it been that large?

Mr. DICKINSON. I should say that six or seven years ago it was \$5,000, but we did not make so large a line of goods then. We did not have so many novelties.

Senator WILLIAMS. Is it increasing or decreasing?

Mr. DICKINSON. Our business in that country depends upon how many new things we have to offer, and how long it takes the other fellow to get in and copy them.

Senator WILLIAMS. But, I say, is it increasing or decreasing?

Mr. DICKINSON. I should say that for the past two years it has been about the same—about \$10,000 a year.

Senator WILLIAMS. It has increased from \$5,000 to \$15,000 in 10 years?

Mr. DICKINSON. In 10 years, yes.

Senator WILLIAMS. During that period has it been a scale of increase or a scale of decrease? I do not mean from the beginning to the end, but taking it through, has it been, upon the average, an increasing scale or a decreasing one?

Mr. DICKINSON. It has increased on the average, just as our line has increased, sir. As we have had more goods to offer, more new things to offer those people that they had not seen from Europe, they will buy them. That will hold good until the European manufacturer appears with the article copied. That means that our business in that particular item ceases in that country.

Senator WILLIAMS. It has been increasing, then?

Mr. DICKINSON. It has been increasing, but not increasing on specific items; but the combination.

Senator WILLIAMS. I understand. In other words, your position is, or your claim or your allegation is, that you initiate and the other fellows imitate?

Mr. DICKINSON. Yes, sir.

Senator WILLIAMS. Have you any reason to suppose that the American will ever quit initiating?

Mr. DICKINSON. On staple and fixed patterns he can not take the initiative, because they are settled. We can bring out new, special things.

Senator WILLIAMS. But you have been bringing out special things for 10 years, have you not, according to your statement?

Mr. DICKINSON. Yes.

Senator WILLIAMS. That is all you have sold, and you have been increasing your sales?

Mr. DICKINSON. But, in the case of the goods that we have introduced in those countries, if we could have held that business on a competitive basis our business in South America, instead of being \$10,000 a year, would probably be five or ten times that amount, because these goods very quickly leave the novelty stage and become staples.

Senator WILLIAMS. I understand. Your position is that as soon as you have standardized the thing, as I may call it, as soon as you have made it known to the world, they go and imitate it?

Mr. DICKINSON. Yes, sir.

Senator WILLIAMS. Meantime you invent something else, and you sell that. It seems that your work of initiation has been going on all the time to such an extent that in spite of the fact that you could not sell anything except new things, you have been selling new things in an increased amount.

Mr. DICKINSON. To the glorious quantity of \$10,000 a year.

Senator WILLIAMS. Whatever it is; but \$10,000 is 200 per cent, is it not, upon the \$5,000 that you started with? And \$15,000 is 300 per cent of \$5,000?

Mr. DICKINSON. Yes.

Senator WILLIAMS. My question is, then, whether you have any reason to suppose that American initiative will decrease?

Senator DICKINSON. No; I do not believe it will decrease, sir.

Senator WILLIAMS. I thought probably it would not.

Senator SMOOT. If you had to depend upon making these novelties for the American market, and the tariff were reduced on these standard articles that the Senator refers to, you would not run more than one month of the year; would you?

Mr. DICKINSON. I will answer your question in this way: If surgical instruments were on the free list, my company would have to go out of business.

The CHAIRMAN. In that event, after you went out of business you would stop initiating new ideas, I suppose?

Mr. DICKINSON. We certainly would.

Senator SMOOT. You say the wages in this country are at least 45 per cent more than they are in Germany. Let me follow that right up. Does the casing cost 45 per cent more in this country than it does in Germany?

Mr. DICKINSON. Do you refer to the cases in which we pack?

Senator SMOOT. Yes; and packing as well.

Mr. DICKINSON. That depends on the nature of the case. Of course if you take strictly a wooden case, a wooden case would be almost as high in Germany on account of the scarcity of wood; but if you take paper cases, that is another matter.

Senator SMOOT. I am speaking now of paper cases and packages.

Mr. DICKINSON. I can not speak authoritatively on that point. I can only give you my impression about that. I believe that a paper case, a carton case, will cost three times as much in this country as it will in Germany.

Senator SMOOT. Take your salesmen: Do you not pay your salesmen in this country 45 per cent more than the salesmen receive in Germany?

Mr. DICKINSON. I think, sir, that we pay our labor, beginning with the office boy, and going up to the office manager or factory superintendent or the best salesman we have on the road, two and a half times as high wages as are paid in Germany, and twice as much or at least 80 per cent more than is paid in England.

Senator WILLIAMS. Do you mean 8 per cent, or 80 per cent?

Mr. DICKINSON. Eighty per cent more than is paid in England.

Senator HEYBURN. Eighty per cent in addition to the English cost!

Mr. DICKINSON. Yes, sir.

Senator WILLIAMS. In other words, where we pay \$180 they pay \$100.

Mr. DICKINSON. Here is what I found in London: I visited a factory there, and I find the Englishmen much more approachable than the Germans. The German, as a rule, feels that you are over there to steal something from him; but the Englishman, if you are properly introduced, is quite an open sort of fellow, and he does not feel that he has so very many secrets. I went to a factory in London and there were seven girls working at a table in our line of work. I said to this gentleman: "Mr. Lee, do you mind telling me the wage you pay these girls?" He said: "I pay them 10 shillings a week." That is, in round figures, \$2.50 a week. We pay those same girls in our factory from \$5 to \$6 a week.

Senator WILLIAMS. Do they work in the same way?

Mr. DICKINSON. They work longer hours than we do, because in the State of New Jersey we can employ girls only 54 hours a week.

Senator WILLIAMS. But, I mean, do they work with the same machinery that you do?

Mr. DICKINSON. Pretty much the same. A good deal of this is hand work. A large part of our business is done by hand work.

Senator WILLIAMS. But take the case of these girls that you saw, and the exact work they were doing, were they doing it with exactly the same machinery and in exactly the same way that you do in your factories?

Mr. DICKINSON. Not exactly. Their methods were not quite as good as ours, according to my idea. I was just as frank with Mr. Lee as he was with me. I told him exactly how we did these different operations, and he did not see where our methods would help him very much.

Senator WILLIAMS. In this particular case, were these people working without some machinery that your people, doing the same work, would have used?

Mr. DICKINSON. They had what we would call a little older style machines. They had machines two years ago that were a good deal like the ones we were using eight or nine years ago. They had not kept the plant up to date. Yet if you should go into some factories in this country you would find the same machines in use. We try to keep ours a modern plant.

Senator WILLIAMS. But I want to confine it to these girls around the table. We started with them.

Mr. DICKINSON. Yes.

Senator WILLIAMS. They were using the machinery that you would have used seven or eight years ago?

Mr. DICKINSON. Seven or eight years ago.

Senator WILLIAMS. Machinery that you discarded seven or eight years ago?

Mr. DICKINSON. No; machinery that within seven or eight years has been discarded by us and supplanted by more modern machines, but machines which some of our competitors in this country are still using, the same as this Englishman.

Senator WILLIAMS. Ah; some other people?

Mr. DICKINSON. Some of our people.

Senator WILLIAMS. But so far as you are concerned, these machines that they were using were the machines that were discarded in your business seven or eight years ago?

Mr. DICKINSON. No; I said we were using, seven or eight years ago, machines of that type. The period in which we have discarded these machines might have covered all that range in years, which was five years. We might have discarded some of them two years before, and some of them four years before. Your mistake is in fixing the time.

Senator WILLIAMS. Never mind the time. I do not care whether it was seven or five or three or four years; but they were using machinery that you had discarded?

Mr. DICKINSON. Yes.

Senator WILLIAMS. You discarded it because you had machinery that would turn out more product per hand; did you not?

Mr. DICKINSON. It was more adaptable to the line of work, and would do better work, or would do more of it.

Senator WILLIAMS. It would produce a greater profit and turn out more product per hand employed?

Mr. DICKINSON. Yes, sir.

Senator WILLIAMS. So that your labor was more efficient than theirs?

Mr. DICKINSON. Yes, sir.

Senator WILLIAMS. It produced greater results in proportion to the time it worked?

Mr. DICKINSON. Yes. I think that is true of all American labor, sir, whether it is machine labor or not. The American labor produces more.

Senator SIMMONS. Let me ask you a question. Suppose you have a number of instruments now that cost you \$10 to produce. How much of that \$10 is labor?

Mr. DICKINSON. On an average, between \$4 and \$5.

Senator SIMMONS. Between \$4 and \$5 of labor?

Mr. DICKINSON. Yes, sir.

Senator SIMMONS. If the German imports \$10 worth of instruments here, how much duty does he pay on them?

Mr. DICKINSON. He does not pay duty on \$10, to start with. You ought to keep that in your mind.

Senator SIMMONS. We will assume, for the purpose of this question, that his article is properly invoiced and valued. How much duty would he pay on this \$10 worth of goods, the labor cost of which is \$4 or \$5, you say?

Mr. DICKINSON. How much would he pay on this specific lot of goods, or on \$10 worth of goods?

Senator SIMMONS. On \$10 worth of his goods.

Mr. DICKINSON. From experience, he would probably put a valuation on those goods of about \$2 when he tried to get them in here.

Senator SIMMONS. Let us assume the correct valuation now. The goods are worth \$10, and you say it costs about \$4 for the labor required to make that \$10 worth of goods here. If the German imported \$10 worth of these surgical instruments, he would pay a duty of \$4.50, would he not?

Mr. DICKINSON. Yes, sir.

Senator SIMMONS. So that the duty he would pay is more than the entire labor cost of that \$10 worth of goods?

Mr. DICKINSON. Yes, sir; but pardon me, I think you are arguing from a false hypothesis.

Senator SIMMONS. What is the false hypothesis?

Mr. DICKINSON. You are assuming that the German takes the quantity of goods that we make and sell for \$10 and imports them at a valuation of \$10. He would have to leave them in Germany to start with, if that were the case; because he would be importing them at a price as high as our selling price, and he could not possibly sell them at a profit, even without the labor. But let us take it another way. Suppose we have one dozen probes that we sell for \$10 on the market, and that they cost us, we will say, \$6. The actual labor on them is between \$4 and \$5, we will say. Suppose the importer wishes to bring those goods into this country. He will present that dozen probes at the customhouse. His method may be to have an agent in Germany buy these goods in various sections of the country. If the manufacturer is not represented here directly, he will have some agent or centralizing point where these goods are bought, and this agent will operate under his own name. Then he will ship these goods in here at possibly less value than he actually paid for them, because he bills them himself, and he is in the employ of the man who is shipping them, and it is hard to get at these things. and they will very likely come to the customhouse at a valuation of \$2 or \$3. Then he is called on to pay 45 per cent on that.

Senator SIMMONS. Do you mean to say that goods that cost you \$10 to produce over here the German will send into this country invoiced at \$2.50, and our customs officers will submit to that?

Mr. DICKINSON. I do not think you follow me. I am dealing in percentages now, of course; and I was in error in one thing: I left out his profits in the selling price. Suppose we should sell these goods which cost us \$4 for labor, and there should be 50 cents for material or \$1 for material, bringing the gross cost, the raw cost, up to between \$5 and \$6. That is what represents to us the raw cost. This man would bring those goods in here at a valuation of probably one-half of our raw cost, and he would pay 45 per cent duty on that. That would be a matter of \$1.25 or \$1.50 that he would pay in the way of duty.

Senator SIMMONS. Let us try it on your basis, now, assuming—as I think we are bound to assume—that the German invoice price represents the price of that article in Germany; otherwise we would have to assume that our appraisers were not doing their duty under the law. You say the labor cost here is \$4. You say the German labor cost is only about half that amount. Then, his labor cost would be \$2. Add that to the \$6 that would be left, taking out the labor cost, and the article that would cost you \$10 would cost him \$8, would it not?

Mr. DICKINSON. No.

Senator SIMMONS. Why would it not? Is there any difference in the material cost?

Mr. DICKINSON. Let us commence building up the article. Let us include the material. We certainly have to buy the material and pay for it.

Senator SIMMONS. You have not contended up to this time, so far as I have heard, that the material cost was different in this country than it is over there.

Mr. DICKINSON. No; I do not contend that at all. But you are dealing with the cost price; and so, if we want to get the cost, we can not ignore anything.

Senator SIMMONS. If the cost over there is the same as it is here, except for the difference in labor cost, and your labor cost is \$4 and his is only \$2, then the difference between the selling price over there and the selling price here ought to be represented by \$2, ought it not?

Mr. DICKINSON. If our labor is \$4 and his is \$2, the difference should be \$2.

Senator WILLIAMS. Provided the labor were equally efficient.

Mr. DICKINSON. That is the difference in the actual raw labor of production; certainly, that is a clear mathematical proposition.

Senator SIMMONS. Then, if his goods that you could make at \$10 are correctly invoiced, they ought to be invoiced at \$8, ought they not?

Mr. DICKINSON. I do not see any specific reason why. Do you mind following the course of the article, and doing it my way for just a moment?

Senator SIMMONS. I am willing for you to state that in any way you please. Is the American cost any greater for anything except the labor?

Mr. DICKINSON. For labor? Well, no; I do not think it is. But if we buy a case to put that in, or we have to make 10,000 labels, the American labor of making that paper and making the paint and building the machinery to print the labels, and the printers who print them, all enter into the labor of our selling price. Of course that does not happen to be a part of our business; but we have to pay for it, and it has to go on there when we have to sell the goods. We can not ignore it.

Senator SMOOT. And that is a part of the cost?

Mr. DICKINSON. That is part of the cost.

Senator SIMMONS. We are assuming that the labor cost of that is twice over here what it is over there.

Mr. DICKINSON. Yes, sir. Now, if you will be good enough, sir. I will not take up very much of your time on this, but I want to explain to you the difference.

Senator SIMMONS. But I am unable to see this——

Mr. DICKINSON. Maybe you will see it.

Senator SIMMONS. Senator Smoot does not seem to think I have a correct idea about it. If I have not, I want to find out where my fallacy is. I am unable to see this: If you can make \$10 worth of goods over here, surgical instruments, at a labor cost of \$4, and it costs them \$2 to make that same amount of goods over there, it seems to me the difference between your selling price and their selling price would be the difference between \$10 and \$8.

Mr. DICKINSON. Senator, if you will permit me to explain the matter, I believe I can show you where you are wrong in your deductions.

Senator SIMMONS. That is what I want you to do, if I am wrong. I am trying to get it straight.

Mr. DICKINSON. I should like to build this article for you right here. It would only take me a minute or two to do it. We have to buy material. We will say that the material in this \$10 worth of goods——

Senator SIMMONS. But you said that was the same price abroad as it is here.

Mr. DICKINSON. All right, but let us just take it. Will you please permit me just to take that?

Senator SIMMONS. Yes; all right.

Mr. DICKINSON. The material, say, is \$1. Let us make the labor \$4, just to make it easy figuring. It will run from \$4 to \$5. We have \$4 in the labor and \$1 in the material. In getting this item ready for market are you dealing in cost price or selling price?

Senator SIMMONS. We are dealing in cost price.

Mr. DICKINSON. All right. We are not dealing now in fixed charges, or anything of the kind. We are dealing purely in labor.

Senator SMOOT. Why not deal in fixed charges? That is a part of your cost.

Mr. DICKINSON. I will.

Senator SIMMONS. Put it both ways, if you want to.

Senator SMOOT. It is part of the cost.

Mr. DICKINSON. We have a cost sheet in our factory, and the first item that goes on that cost sheet is material. Then comes the actual money that we pay out in wages, either piecework or day labor, as the case may be.

Senator WILLIAMS. One and four make five, then.

Mr. DICKINSON. One and four make five. Now, in our work we have factory expense. I do not want to have us make any mistake on what that is. Suppose it is depreciated machinery. That machinery is produced by American labor, and that enters into it. If it is oil for lubrication, it is produced out of our oil fields with American labor. If it is belting, it is the same way. If it is files or tools, whatever it may be, that all enters into our expense. Then there is the expense of supervision. By "supervision" I mean labor which we can not charge directly to the cost of production, such as superintendents and foremen. Then there is the cost clerk, the porter, the boy for sweeping up the floor, the engineer out in the power house, the firemen, the coal, etc. So we must add 75 per cent to the direct labor to cover the labor that shows in the actual production.

Senator WILLIAMS. Do you mean to say that the cost of the labor you employ outside of the actual factory hands is 75 per cent of what you pay them?

Mr. DICKINSON. Yes, sir; and one of the biggest competitors we have told me within the past two months that his was 95 per cent.

Senator SMOOT. Not the labor; you are speaking now of the belting, the oil, and such things.

Mr. DICKINSON. All those things that enter into the cost.

Senator WILLIAMS. Let us get what he said.

Senator SMOOT. But that is included.

Mr. DICKINSON. In our item of expense is charged everything that goes to the production of the goods that we can not charge directly. If we are nickel plating an article, we can not say, "There is 5 cents' worth of nickel," or "there is 25 cents' worth of nickel on a dozen of these articles."

Senator SIMMONS. But you are drifting away from your proposition of a little while ago. I wanted you to work this out on the basis of the factory labor cost, and you said that was \$4.

Mr. DICKINSON. Four dollars; yes. That is, \$4 in direct labor cost. But we are paying a superintendent of our factory \$2,100 a year. Is that labor employed in producing these goods? He is engaged only in making goods for us.

Senator WILLIAMS. No; that is salary.

Mr. DICKINSON. That is salary.

Senator WILLIAMS. Yes; but the work of your office boy is labor, is it not? Why do you not include him?

Mr. DICKINSON. I can not see where that is labor——

Senator WILLIAMS. I mean the boy you were speaking of a moment ago as sweeping up the office.

Senator SMOOT. It would be impossible, would it not, to take the boy that sweeps up and divide his wages among 100 dozen different things that you are making?

Mr. DICKINSON. Absolutely impossible, practically.

Senator WILLIAMS. We do not want him to do that.

Senator SMOOT. But the labor cost that he is speaking of now is the cost of the labor that is employed directly in producing the article.

Senator WILLIAMS. It is the labor employed in the factory which he must have, whether it is to sweep up the floor, or whether it is to water the floor to keep it from being dusty, or whether it works at a machine, or by manual labor at the table, or whatever it does. We can get at it in this way, I think: If you can do it, give it to me now. If you can not do it, send to the secretary, after a while, your annual sales and your annual labor roll, including your office boy, and your annual salary roll, including your superintendents and book-keepers and the balance of it; and then we can draw inferences and make arguments all we please.

Mr. DICKINSON. Yes, sir.

Senator HEYBURN. Make up a balance sheet and send it to the committee.

Mr. DICKINSON. Yes; I shall be very glad to do that.

Senator WILLIAMS. Can you do that now?

Mr. DICKINSON. Here? No, sir; it is impossible.

Senator SIMMONS. Whether or not your office boy and your salesmen and your superintendents and your secretary and all of that ought to be included in the labor cost is a question that we can argue hereafter. What I want to get you to do now is to work out the problem you were discussing a little while ago as to the labor cost of producing the article. You said it cost \$4 in this country for the labor required to produce \$10 worth of goods.

Mr. DICKINSON. Yes.

Senator SIMMONS. Upon the same basis, assuming that the labor cost here is twice what it is in Germany, their labor cost would be \$2. Now, I want you to follow out what you started to follow out a little while ago and tell me if the cost in Germany would not be \$8; while the cost in this country would be \$10, upon that basis?

Mr. DICKINSON. No; because there are other expenses following that that are proportionately cheaper in Germany.

Senator SIMMONS. For this purpose we are leaving out now everything except the labor cost of producing the thing—not the cost of selling it, not overhead charges, but the cost of producing the thing.

Mr. DICKINSON. To make it easy, let us eliminate all overhead charges, and deal exactly with the raw cost of the material and of the labor employed in producing the article—\$1 for material and \$4 for labor.

Senator SIMMONS. Why can you not leave out the material for the purpose of this proposition, as you have said that there was no difference in the material cost here and in Germany?

Mr. DICKINSON. When it is presented to pay duty, is the material included in all these cases?

Senator SIMMONS. Why, certainly.

Mr. DICKINSON. It is? You are treating with duty, then, and I do not know how to include it in one case and eliminate it in the other.

Senator SIMMONS. Include it, then, in both, if you have to.

Mr. DICKINSON. All right. If we produce at what I call the raw cost, and put no other expense of any character on it—just the labor we count right out in cash, and the money we pay for material—the article costs us \$5. That article, if presented by the German on an honest valuation, should be valued at about \$3.

Senator SIMMONS. It costs you \$5 and it costs him \$3?

Mr. DICKINSON. It costs us \$5 and it costs him \$3. If he presents that at \$3 as against our \$5, then he pays the duty, whatever it may be.

Senator SIMMONS. If it costs him \$3 and costs you \$5, the difference is \$2.

Mr. DICKINSON. two dollars.

Senator SIMMONS. Then the German selling price of his \$10 worth of goods would be \$8, taking the \$2 from the \$10? }

Mr. DICKINSON. Not necessarily.

Senator SIMMONS. You said the difference was \$2.

Mr. DICKINSON. I supposed we were dealing in costs, and not in selling price. We are going quite abruptly from the raw cost. When you go from your cost to your selling price you must include all these incidental expenses which you do not want to consider.

Senator McCUMBER. Let me ask you a question there, just to elucidate that. I think you can do it in one or two answers. Out of \$10 worth of manufactured product, what proportion of it is clear profit above all expenses, selling and everything else, overhead and everywhere else?

Mr. DICKINSON. Our average net profit on the selling price of our goods for the past two or three years—say the past three years—has been about 12 per cent.

Senator McCUMBER. Then about 88 per cent would be the actual cost of getting it to the market, and 12 per cent would be the profit?

Mr. DICKINSON. Yes, sir.

Senator McCUMBER. All right.

Senator WILLIAMS. Do you mean by that that you declare dividends of 12 per cent?

Mr. DICKINSON. No; we do not declare dividends of 12 per cent.

Senator McCUMBER. Out of \$10 worth of goods produced in Germany, what part would be net profit to them over there, and what part cost?

Mr. DICKINSON. Sold here?

Senator McCUMBER. No; over there, before it is sold here.

Mr. DICKINSON. Ten dollars' worth of goods? What part of it?

Senator McCUMBER. I refer to producing it and getting it to our market in New York.

Mr. DICKINSON. Ten dollars' worth of goods?

Senator McCUMBER. Yes. What would be their cost?

Mr. DICKINSON. Of our goods?

Senator McCUMBER. No; of their goods.

Senator WILLIAMS. He wants their profit.

Senator McCUMBER. You have taken as a standard what would be equivalent to \$10 worth of goods. Now take something that you would sell for \$10, and on which you have made \$1.20. What would be the cost in Germany of those same articles ready for delivery in New York?

Mr. DICKINSON. That is a pretty difficult question for a manufacturer in this country to answer who is not very conversant with all those things. But I should like to call your attention to just one thing in relation to this: Their cost as compared with ours has brought this result, and I do not believe anyone here can bring statistics to refute this statement. More than 75 per cent of all the surgical goods used in the United States are imported goods. We have labored for years under the most adverse conditions; and the condition to-day is such that if it were not for special things that we can get up and sell ahead of those fellows, and keep a little in the lead with ideas and the protection derived through United States patents, our business would be positively an unprofitable one.

Senator McCUMBER. What would be the invoice value, if you know, in New York, on which duty would be paid in the case of the same articles that you would sell for \$10?

Mr. DICKINSON. What would the Germans bill them for?

Senator McCUMBER. Yes. What would they be invoiced at in New York?

Mr. DICKINSON. That is a difficult question to answer, sir, because there are so many things of such a nature that it is difficult for even your customs officers to determine the valuations on these goods.

Senator McCUMBER. I am asking you to take the same thing.

Mr. DICKINSON. But the value at which those goods are imported is somewhat dependent upon the honesty of the importer.

Senator McCUMBER. Take a dozen probes, which you say you sell for \$10 a dozen. If those same probes came in from Germany, at what would they be invoiced at the customhouse in New York?

Mr. DICKINSON. Somewhere around \$6; about \$6; I should say \$6. I can not give you that from actual experience, but—

Senator McCUMBER. We are making headway. Then what would have cost you \$8.80 will be invoiced in New York at about \$6, and then they will pay a duty of 45 per cent on that \$6?

Mr. DICKINSON. Not what would have cost us that, but what we are selling for that. We are dealing with the selling price now. You said an article that would sell for \$10.

Senator McCUMBER. But in the case of that which you could sell for \$10, you have said that 88 per cent of it is cost.

Mr. DICKINSON. Cost; yes.

Senator McCUMBER. That would be \$8.80 cost. Then the same thing that costs you \$8.80 would be invoiced in New York, according to your idea, at about \$6?

Mr. DICKINSON. About \$6.

Senator McCUMBER. And upon that \$6 there would be 45 per cent duty?

Mr. DICKINSON. Forty-five per cent duty.

Senator HEYBURN. The duty is levied on the price abroad; not the price in New York.

Senator McCUMBER. I know that; but I presume they make the price abroad on the invoice.

Senator SMOOT. Let me ask you this question: On that \$10 worth of goods you say you make a profit of 12 per cent?

Mr. DICKINSON. Twelve per cent.

Senator SMOOT. That leaves the cost as \$8.80. Now, let us see if there is anything in that cost that is as cheap in this country as it is in a foreign country. Out of that \$8.80 the foreigner pays no tax at all. Do you pay a tax?

Mr. DICKINSON. We have to pay a corporation tax; we have to pay a municipal tax; we have to pay a State tax.

Senator WILLIAMS. What is that—the foreigner pays no tax upon his goods?

Senator SMOOT. Not here. I am talking about here, in this country.

Senator WILLIAMS. Oh, here. We do not pay any there, either.

Senator SMOOT. That is true.

Senator WILLIAMS. But he pays them there. He pays more than we do.

Senator SIMMONS. We are dealing with this \$10 proposition——

Senator SMOOT. Wait until I get through with this matter; then you can ask any questions you wish.

Senator SIMMONS. I am not asking any questions. I thought you misunderstood the basis upon which we have been dealing about it and I wanted to correct you. We have been dealing with this \$10 proposition upon the basis of actual cost of production, without considering any profits in it. Now you are including profits in it.

Senator SMOOT. We are taking the actual cost of the article, and the actual cost of an article does not include a profit. It is everything outside of a profit.

Senator SIMMONS. I understood you were making it include a profit.

Senator SMOOT. No; I am not. I am throwing out that 12 per cent, making a total of \$8.80. The wages that you pay for the manufacturing cost of this article, \$8.80, cost you more than double in this country what they do in Germany, do they not?

Mr. DICKINSON. I will answer your question in this way: In Germany I explained how a man made our class of goods largely in his own home. Of course there are some exceptions to that.

Senator SMOOT. Can you not answer my question as to whether it is more than double or not?

Mr. DICKINSON. Our wage cost is more than twice as much as theirs.

Senator SMOOT. That is what I asked you.

Mr. DICKINSON. Yes, sir. This is not hearsay; this is from actual experience—going in their homes and talking to the people.

Senator SMOOT. That is what is called the labor that actually goes into the production of the article. Does your superintendent receive double what the superintendent in Germany receives?

Mr. DICKINSON. I can not answer that question intelligently, because I did not look into that.

Senator SMOOT. Does your oil cost you double the amount that it costs there?

Mr. DICKINSON. No; I do not believe oil costs us any more here than it does in Germany.

Senator SMOOT. Does your belting cost you more here than it does in Germany?

Mr. DICKINSON. Yes; that costs us more.

Senator SMOOT. Does your machinery cost you more?

Mr. DICKINSON. On the whole, I do not believe it does. As far as our business goes, machinery is not a big item in our business; and my impression is that the foreign manufacturer has to pay approximately as much for his machinery as we do.

Senator SMOOT. What amount or percentage of the labor on your product is hand labor and what percentage is machine labor?

Mr. DICKINSON. The surgical instrument end of it? More than three-quarters is hand work.

Senator SMOOT. So, taking this \$8.80 actual cost, would it cost \$4.40, or half of that, to make the same article in Germany?

Mr. DICKINSON. I should say it would cost that, or a fraction more; that is, including the labor and everything. The labor would be more; the cost of our labor would be more than twice the cost of the German labor; but in the case of our material there would not be such a great increase.

Senator SMOOT. So if there were a difference of 45 per cent—the present rate of duty of 45 per cent would equalize the difference between the cost abroad and in this country?

Mr. DICKINSON. The difference between 25 and 45 per cent?

Senator SMOOT. No. Your present rate is 45 per cent.

Mr. DICKINSON. Forty-five per cent duty; yes.

Senator SMOOT. And if you say it costs less than 50 per cent, if it costs 45 per cent of \$8.80 in Germany, then the 45 per cent rate that you now have only equalizes the difference between making those goods in Germany and making them in this country?

Mr. DICKINSON. That is all it does. Of course, so far as the surgical-instrument industry goes, it does not do that, and the importations show it.

Senator SMOOT. In answer to Senator Simmons I want to say that this is the German tariff on surgical instruments: Surgical instruments which are used directly for the performance of surgical operations, as well as astronomical, optical, mathematical, chemical, and physical instruments which are used exclusively for scientific purposes, are admitted free of duty.

Senator HEYBURN. In Germany?

Senator SMOOT. In Germany.

Senator McCUMBER. I should like to ask you a question. What part of the American public, the surgeons or the victims, are complaining about the price of surgical instruments?

Mr. DICKINSON. I do not know of anyone that is complaining of the price. You refer to the consuming public?

Senator McCUMBER. Yes.

Mr. DICKINSON. I do not know of anyone that is complaining.

Senator McCUMBER. These instruments are used by surgeons, and only by surgeons, are they not?

Mr. DICKINSON. No; every physician buys instruments of some kind. He has to have a speculum, nasal or ear or vaginal.

Senator McCUMBER. Those are what you call surgical instruments?

Mr. DICKINSON. Yes, sir.

Senator HEYBURN. They are generally paid for by the victim.

Senator WILLIAMS. The victim does not know it.

Senator McCUMBER. Do you know, either through rumor or experience, anything about the average fees of surgeons, so as to know whether the cost of the instrument is a great imposition upon them?

Mr. DICKINSON. I think the cost of the instrument is felt only by the student who has graduated and is starting out to practice, before he gets any patients. In the practice of surgery, or in the practice of medicine, the cost of instruments is a very small item.

Senator McCUMBER. The ordinary victim who lies upon the surgeon's table for 10 or 15 minutes will usually pay for all the surgical instruments that the surgeon will use for 100 years, will he not?

Senator WILLIAMS. That is too broad.

Mr. DICKINSON. I believe that if any one of you gentlemen had to call in a surgeon in a case of appendicitis, the fees of that surgeon would buy his instruments for the next 10 years.

Senator WILLIAMS. One fee would buy his instruments for 10 years?

Mr. DICKINSON. That is all he would use in the next 10 years.

Senator WILLIAMS. How much would he charge me? I am interested, because I might have to go to one.

Mr. DICKINSON. Five hundred dollars you would get off with, if you went down looking as pleasant as you do to-day.

Senator WILLIAMS. That would buy all his surgical instruments for five years, then?

Mr. DICKINSON. Yes.

Senator WILLIAMS. I had to go to one a few years ago, but it was not a very serious operation. He charged me \$250. That would buy his instruments for two and a-half years, would it?

Mr. DICKINSON. Yes.

Mr. FILLING. Did he know you were a Senator?

Senator WILLIAMS. No; I was not.

Mr. DICKINSON. That alters the case.

Senator WILLIAMS. I was a Member of Congress at that time.

Senator McCUMBER. I think the average price here for a Senator will run from \$1,000 to \$5,000.

Senator WILLIAMS. I do not know; it depends upon the surgeon, and how deep he wants to dig.

I want to ask you this question, without fully joining you in your criticism of your chief customer. What is your theory of the protective tariff for American industries? Do you want enough tariff to protect your entire labor cost, or do you want enough to protect the difference between your labor cost and the labor cost of the foreigner, or do you want a tariff which is enough to protect the entire difference between the cost of production and his cost of production, no matter whether it is labor cost or not? Which one of those three theories is yours?

Mr. DICKINSON. I would like to have tariff enough on our particular class of goods to enable us to stay in business.

Senator WILLIAMS. Oh, of course I understand that. By the way, I do not know of any constitutional guaranty that the American people have ever made to tax themselves to keep anybody in business.

But, on this principle of keeping yourselves in business, I will ask you this. You want duty sufficient to cover the entire labor cost of your production, or do you want merely sufficient to cover the difference between your labor cost and your foreign competitor's labor cost?

Senator SMOOT. Or, the third proposition?

Mr. DICKINSON. I would like to have at least enough for us to make our goods to go to our customers throughout this country, so as to sell goods at a price such that the foreigner could not come in here and take all our business.

Senator WILLIAMS. In determining what that principle is, and in determining what that rate would be, then, if that is your answer, I imagine that the reply you want to give to my question is this. Let me see, however, whether it is or not. I do not want to make the reply for you. You want a tariff sufficient to cover the entire difference in the cost of production, no matter whether the difference grows out of a difference in labor or a difference in other things constituting the cost of production, and enough to add to that a reasonable profit for yourselves?

Mr. DICKINSON. The other man will want a profit, also.

Senator WILLIAMS. What is that?

Mr. DICKINSON. We must have a reasonable profit, and so must the foreign manufacturer. We want a reasonable profit and also the foreign manufacturer will demand a reasonable profit. All we want is tariff enough not to keep the fellow out of the country, but to keep him from coming in here and underselling us.

Senator WILLIAMS. He already comes in here and undersells you to the tune of 35 per cent of the ad valorem now, and 81 per cent according to your own statement. Do you mean to say that the present tariff does not constitute a sum sufficient, added to his invoice price at New York, to cover the difference in the labor cost of your production and the labor cost of his?

Mr. DICKINSON. The tariff is not sufficient to cover the difference in the cost of the two commodities—the commodities produced in the two countries.

Senator WILLIAMS. I asked you this question; and you are a very intelligent man.

Mr. DICKINSON. Thank you, sir.

Senator WILLIAMS. I asked you if you meant to make this statement, that the present import duty was not sufficient to cover the difference between the labor cost of your production and the labor cost of his?

Mr. DICKINSON. By taking the analysis that you had a few minutes ago, it was insufficient.

Senator WILLIAMS. It was insufficient?

Mr. DICKINSON. In the analysis, on the fourth proposition.

Senator WILLIAMS. Let us go back and take it up and see if I have got you right. I understood you to say, in answer to a question propounded by the Senator from North Dakota, that the goods that you would sell in New York for \$10, would be invoiced there, in your opinion, by the German importer, at \$6. Then I understood you to say that the part which labor constituted of your \$10 product was \$4.

Mr. DICKINSON. Yes.

Senator WILLIAMS. Very well. Forty-five per cent on \$6 is \$2.70. I understood you to say that your labor cost was 50 per cent of the German labor cost; or, in other words, the German labor cost was——

Mr. DICKINSON. A little more than that.

Senator WILLIAMS. Twice yours?

Mr. DICKINSON. Yes.

Senator WILLIAMS. Then the difference in the respective labor costs would be \$2, would it not, and the other being \$2.70, that would be 70 cents over the \$2, would it not?

Mr. DICKINSON. Yes. That is very good, sir; but when you started out on this proposition here to argue, your hypothesis was, raw cost. Now you have gone back to selling price.

Senator WILLIAMS. Have I made a misstatement as to anything you have said?

Mr. DICKINSON. No; I think, so far as the statements are concerned, you have not.

Senator WILLIAMS. I have followed out your statements precisely?

Mr. DICKINSON. Yes.

Senator WILLIAMS. And these other figures correspond to your statements?

Mr. DICKINSON. Yes.

Senator WILLIAMS. Now come back to my question I want to ask, because I am a theorist myself, and I am anxious to get at every man's theory of public taxation. Your theory is that the taxes ought to be so levied as to keep you in business, and I want to go into the question of whether they should cover the difference in labor cost, or cover your entire labor cost, or the entire difference of production plus a reasonable profit. You want it sufficient to keep you in business?

Mr. DICKINSON. Yes; I would like it to be that, sir.

The CHAIRMAN. Is that all you have to say to the committee?

Mr. DICKINSON. I believe the Senator is leaving me in a wrong position here, on his deduction on the \$2.70 duty on the \$4 worth of labor.

Senator WILLIAMS. No; that was on the \$6 worth of invoice the \$2.70 was calculated.

Mr. DICKINSON. The \$6 worth of invoice?

Senator WILLIAMS. Yes.

Mr. DICKINSON. We were dealing with and referring to exclusively the raw cost.

Senator WILLIAMS. I was dealing with the labor in your factory.

Mr. DICKINSON. Yes.

Senator WILLIAMS. If you had to buy a piece of steel, I was not dealing with the labor involved in making that steel before it came to you. Do not understand that I wanted to take that in. My reason for not taking that in is the fact that that man is already getting his bite at the protection cherry by the protection he receives on the think he is making.

Senator SMOOT. That \$4 did not include the overhead expenses of the factory, which are more in this country than they are in Germany.

Senator WILLIAMS. I do not know whether they are or not.

Mr. DICKINSON. The expenses of supervision and foremanship and everything of that character.

Senator WILLIAMS. My idea was to get at what the laboring man got out of it, because the pretense all the way through is that this whole system is to keep up protection on everything for his benefit—to keep up the wages. I was not referring to chief clerks and superintendents and managers and presidents and secretaries.

Mr. DICKINSON. Gentlemen, I am not claiming here that I am here totally—

Senator SMOOT. The president is a laboring man and so is the superintendent.

Senator JOHNSON. Some people think they ought to work without any salaries.

Mr. DICKINSON. I believe the Democrats have claimed that in another connection.

The CHAIRMAN. We will now hear Mr. George M. Bunting, of the Standard Cast Iron Pipe & Foundry Co., of Philadelphia, Pa.

STATEMENT OF MR. GEORGE M. BUNTING, VICE PRESIDENT AND TREASURER OF THE STANDARD CAST IRON PIPE & FOUNDRY CO., OF PHILADELPHIA, PA.

Mr. BUNTING. Gentlemen, I have a very simple matter that I want to present to you. I think we can soon come to an understanding about it. It is in reference to the cast-iron-pipe industry of this country. For the past several years, especially, we have been doing business with no profit whatsoever, not being able, on account of the active competition among ourselves, to obtain any profit, and being able scarcely to keep our heads above water and pay the cost of actual production, without allowing for depreciation or for interest on investment.

Under this proposed bill we understand it is intended to reduce the duty to 10 per cent ad valorem, which is a great reduction from the present specific duty of \$5 per ton. We feel that we can show you that such a reduction is unreasonable. For instance, the cost of cast-iron pipe is governed largely by the price of pig iron. Pig iron now sells at \$11.75 to \$12, f. o. b. England. The price of pig iron here is \$14 to \$14.50, or a difference of about \$2.50 per ton of pipe. Labor and other materials here cost at least \$1 per ton more than in England. The labor itself is nearly that much difference. We are paying at least 50 per cent more for labor, taking it all the way through, than they are for the same class of labor in England.

Senator SIMMONS. You mean in the making of pig iron?

Mr. BUNTING. No; in the making of pipe. That would make a total difference of \$3.50 in favor of the English foundries. Now, freight to the Atlantic and Gulf ports from England is the same, practically, as from Philadelphia to Atlantic and Gulf ports, running from \$2 to \$3.25 per ton, according to destination. We have no advantage at all. In fact, there are times when they can ship from England at lower rates than we can from Philadelphia to Gulf ports. Being over there and wanting to get a load back, the vessels accept any price they can get.

Senator SIMMONS. You have no advantage at the Gulf ports, you mean; but have you any advantage at any other points in the United States?

Mr. BUNTING. Of course, shipping from inland mills we have the railroad freights to our advantage; but at the port towns, like Boston, New York, Bridgeport and Savannah and Charleston and all those large places, the English market would supply them, under the now proposed duty, very readily. We could not compete with them.

Senator SIMMONS. If we reduced the duty on pig iron, your raw material, would that help some?

Mr. BUNTING. No; because they would have the same advantage.

Senator SIMMONS. Who?

Mr. BUNTING. The English people.

Senator SIMMONS. They would not have so much duty to pay, and perhaps you might get your raw materials a little cheaper.

Mr. BUNTING. Those people over there, many of them, have their own furnaces right at their own doors. They use their own iron; and I do not know of an instance where the cast-iron pipe manufacturing industry here has anything of that kind. We have to buy all our pig iron.

Senator SIMMONS. You think that taking the duty off pig iron would not reduce the price of pig iron?

Mr. BUNTING. No; not to the extent we want. The present duty of \$5 a ton only allows a protection of \$1.50 to the manufacturer here, which in our judgment is not unreasonable. As I explained to you, we are selling it now without any profit, and that is owing to the actual competition among ourselves; and if we had this increased competition from abroad, we would have no choice but to shut down. We could not make it up on our labor. If we were to reduce the wages of our workmen we could not get men to work in the foundries. It is difficult now, at the price of \$1.50 a day for foundrymen, up to \$2.75 for skilled men, owing to the dirty work and the intense heat, especially in the summer months, to find men who will work in foundries, and if we reduced the price of labor we would not be able to get men at all to work; we would be compelled to close.

Senator SIMMONS. The reason you are not making anything now is because of the domestic competition?

Mr. BUNTING. Yes; because of the domestic competition; it has been very active in the last three years. The capacity of our mills is in excess of the consumption. Naturally, we are all endeavoring to keep the mills going, and in consequence we are not making any money. If the duty should be taken off and the English are allowed to come in here and compete with us on top of that, we might as well give up and close the mills down. We ask you, therefore, to give this matter very serious consideration and not reduce the duty on cast-iron pipe.

Senator HEYBURN. How many men are employed in making cast-iron pipe in this country?

Mr. BUNTING. I could not tell you, off-hand, but we have in our factory about 400 men, and we have a capacity of 75,000 tons. To run to full capacity we would require about 500 men. I am told that there are about 900,000 tons total capacity in the mills in the United States, so that, on the same relative basis, about 6,000 to 7,000 men would be employed.

The CHAIRMAN. You represent other concerns, as I understand it, a list of which is given in to-day's calendar?

Mr. BUNTING. Yes, sir.

The CHAIRMAN. They are scattered from Alabama to Pennsylvania!

Mr. BUNTING. Yes. The United States Cast-Iron Pipe & Foundry Co., have some 10 different plants, and the independent plants are scattered over the country, running from Alabama to Wisconsin and from there to New York and Pennsylvania and New Jersey and Virginia. Pipe is sold usually to public utility companies like gas works or water works or municipalities for their purposes. It is not sold to the general public like other commodities. We are required to bid, as a general thing, in open competition, and the competition is very strong. We can not sell our product, like many manufactures of other commodities, to individuals. We could obtain better prices under those conditions.

The life of our goods is not less than 100 years. If a man buys a piece of pipe he does not have to consider when he will be required to relay it. I have understood that pipe in Germany has lasted 150 years. It seems to me that those matters have some bearing on the subject.

Senator HEYBURN. If the duty were removed or reduced it would result in bringing in large quantities of pipe from abroad?

Mr. BUNTING. It would, at the proposed reduction; yes, sir, undoubtedly.

Senator HEYBURN. How much of your market would it take up?

Mr. BUNTING. A very large portion of our market; we do a large business in the cities on the seaboard.

Senator SIMMONS. How much comes in now?

Mr. BUNTING. There has not been any imported in the last two years except some 2-inch pipe. I think there is where Mr. Underwood made his mistake.

Senator SIMMONS. How much of that has come in?

Mr. BUNTING. Less than 100 tons in the last two years. The present duty keeps it out.

Senator SIMMONS. So that the present duty is a prohibitive duty?

Mr. BUNTING. Yes.

Senator SIMMONS. Do you want it to remain as it is now?

Mr. BUNTING. Yes; we want it to remain as it is now.

Senator SIMMONS. You do not want the foreigners to come in at all?

Mr. BUNTING. No, sir; we do not.

Senator SIMMONS. You do not want them to sell any here?

Mr. BUNTING. As I have told you, the competition among ourselves has not allowed us to make any money whatsoever. We have probably from \$30,000,000 to \$35,000,000 invested in this business, and there has not been a manufacturer who has in the last three years been able to get one penny back for depreciation, or to any extent for interest on the money invested. It is cheaper to keep the foundries running, even on that basis, than to shut them down, on account of the overhead charges.

Senator HEYBURN. Would they depreciate if you did not keep them up?

Mr. BUNTING. Yes; necessarily.

Senator SIMMONS. Do you export any of your product?

Mr. BUNTING. No, sir; we have had a fair market, and we have not made any attempt to export.

Senator SIMMONS. Have any of the other manufacturers exported, at all?

Mr. BUNTING. I think not.

Senator SIMMONS. None comes in and none goes out?

Mr. BUNTING. No, sir.

Senator SIMMONS. And you say you make a surplus—more than the amount required?

Mr. BUNTING. We could, if we ran our foundries at full capacity. But of course we are not piling up goods that cost us money, and on which we would lose the interest on the money invested.

Senator SIMMONS. You have just made enough for the market, then?

Mr. BUNTING. Yes, as a rule. Of course, there have been some little exceptions to that.

Senator HEYBURN. How near full time have you run?

Mr. BUNTING. For the past three years, during these depressed times, we have run about 75 per cent of our capacity.

The CHAIRMAN. The duty was cut down pretty well in the Payne-Aldrich bill?

Mr. BUNTING. Yes; from \$8 to \$5, in 1909.

The CHAIRMAN. I recall that the manufacturers came here voluntarily and agreed, very fairly, to submit to a reduction of nearly 50 per cent.

Mr. BUNTING. Yes.

Senator HEYBURN. They did not anticipate at that time that they would not be able to make any money under the reduction?

Mr. BUNTING. They did not realize the kind of times we were going to have, I suppose.

Senator SIMMONS. The reduction, you say, has not resulted in any goods coming in?

Mr. BUNTING. Under the reduction proposed, the English would flood the market and we would have to stop. We could not go on and do business.

The CHAIRMAN. Have you anything further to say?

Mr. BUNTING. No, sir; unless you have some questions to ask me.

STATEMENT OF MR. ROBERT E. JENNINGS, PRESIDENT OF THE CARPENTER STEEL CO., OF READING, PA.

The CHAIRMAN. Will you proceed with your statement to the committee, Mr. Jennings?

Mr. JENNINGS. The paragraph that interests our people is paragraph 9, speaking of steel ingots, cogged ingots, blooms, and slabs, and so forth, and bars.

It is proposed by this bill to reduce the tariff on all of this material imported to 10 per cent ad valorem; and that, on a large percentage of the work in which we are engaged, amounts to practically no protection at all.

The competition we would have would be from England and Germany and France. We are now running our plant from 55 to 60 per cent of the time. Of course, we would like to run as full as possible. We find that the proposed change in the tariff will, in all probability, enable our German and English friends to come in here with their steel. They are already in active competition with us, and I see no reason, according to the plans that are laid down here, why they ought not to increase the volume of their business very considerably. We do not care to see that done. We do not care to have it done.

I want to say in explanation of our position in this matter, that we represent the crucible end of the steel business, which should not be confounded with the larger steel industry, including rails and structural material and articles of that kind.

The production of crucible steel in this country to-day runs from 75,000 to 100,000 tons a year. I am unable to say just exactly what the total is. We are now running quite light. That has not increased. You might say that that industry has stood still. Twenty years ago we were making 75,000 tons of crucible steel in this country in a year. The Germans are active here, and the English are very active here. We are very much interested in an article known as high-speed steel, which you have probably had discussed here before, and in the alloys which enter into high-speed steel. Those are matters of interest to us.

What we would like to have you do is to allow the duty to remain as it is at present, which we think is a fair and just situation. We employ labor very largely in proportion to our output. I suppose that our labor is anywhere from 55 to 65 per cent of the cost of our manufacture. We employ in our mills, when we are busy, 1,000 people. We have about 725 people now on the pay roll.

What we would like is to have you allow the present duties; that is, the present steel schedule to stand.

Senator McCUMBER. Could you continue doing business if it was reduced to 10 per cent ad valorem?

Mr. JENNINGS. We probably could, by shaving and paring down in every conceivable way; but that is not business. The profits on our business to-day are about 10 per cent of what we do.

Senator McCUMBER. You would have to begin to economize, would you not?

Mr. JENNINGS. That we have already done, Senator, as far as we know how.

Senator McCUMBER. But you would have to economize still further if the duty was reduced to 10 per cent?

Mr. JENNINGS. Why, yes; we would. I would not know where to begin, to tell the truth.

Senator McCUMBER. Would you not have to begin with your labor?

Mr. JENNINGS. Yes, sir; right away.

Senator McCUMBER. That would be the starting point?

Mr. JENNINGS. That would be the first thing we would do.

Senator McCUMBER. With the present price of labor you mean to say that you could not continue to do business if the tariff was cut down to 10 per cent ad valorem?

Mr. JENNINGS. Yes; that is precisely the situation.

Senator HEYBURN. If the product of this country was displaced by foreign importations, then the labor employed in that industry here would be displaced, would it not?

Mr. JENNINGS. Yes.

Senator HEYBURN. It would mean idleness rather than reduction?

Mr. JENNINGS. We would have to shut off one department after another, as it became unprofitable, and the men would be floating around, trying to find something to do. As it is now, they are all profitably employed.

Senator SMOOT. Do you think that those men could find employment at something else in the United States?

Mr. JENNINGS. No; they can not. What they take to when they leave a steel mill is laboring work—whatever they can get to do.

Senator SMOOT. And everyone that is thrown out, of that great bulk of laborers, in the United States, every expert man, means an overproduction of labor in that industry?

Senator HEYBURN. It means displacement of labor in the other industries?

Mr. JENNINGS. Yes.

Senator HEYBURN. Which is the most important item.

Mr. JENNINGS. Yes.

The CHAIRMAN. Have you a brief that gives your views on this matter, which you would like to file?

Mr. JENNINGS. I have nothing prepared.

The CHAIRMAN. I thought you had a paper in your hand.

Mr. JENNINGS. This is simply a memorandum.

The CHAIRMAN. I thought if you had you might leave it with the stenographer, and it would be printed. Have you anything else to state to the committee?

Mr. JENNINGS. I have nothing else, unless you have some questions to ask.

The CHAIRMAN. The committee will then proceed to hear Dr. John A. Mathews, representing the Halcomb Steel Co. of Syracuse, N. Y.

STATEMENT OF DR. JOHN A. MATHEWS, REPRESENTING THE HALCOMB STEEL CO., SYRACUSE, N. Y.

Dr. MATHEWS. Mr. Chairman and gentlemen, I have very little to add to what Mr. Jennings has said and to what you have already had from Mr. Ramsey and Mr. Metcalf, representing the same line of industry. I only want to emphasize again the fact that the crucible steel business is an entirely separate kind of business from that in what is known as soft steel, structural steel, and rails. It is strictly a business in which quality counts rather than quantity, and the labor that is employed is a very high grade of labor. It takes years of labor to fit the men for their positions, and it has been preeminently a matter in which the men have stuck to one line of work, not only through their own working lifetimes, but it has been handed down for generations in the same families.

The CHAIRMAN. The committee, two years ago, took a great deal of pains with this paragraph and endeavored to arrange a schedule of rates which would encourage this industry. It was one of the new features in the Payne bill. Could you state briefly to this committee the history of this industry and the nature of it?

Dr. MATHEWS. Yes, sir; I would be pleased to do so.

The CHAIRMAN. It is a matter that is not generally understood, and I would be very glad to have in the record a concise statement of what high-speed steel is, and the history of the industry in this country.

Dr. MATHEWS. I would like to go back a little further than the history in this country. The crucible steel process was invented by a Sheffielder, Mr. Huntsman, over 150 years ago. It was the first cast steel that was ever made. Before that the steel was made by another process, and was never melted and cast.

Crucible steel was the only cast steel then, and up to the time of the Bessemer process, 50 or 60 years ago, the crucible steel was used in casting ordnance, railway springs, and very many lines of heavy tonnage that now goes to the open-hearth steel. The volume of crucible steel, therefore, has tended to decrease, on account of the introduction of the cheaper processes, the open hearth and Bessemer, which began some 40 years ago. I do not know how long crucible steel has been made in this country; I should say since 40 or 50 years ago. Even in the earlier years of the industry here, crucible steel was used in casting ordnance material, railway springs, and a number of heavier requirements.

With the development of the open-hearth process, particularly, which enables the makers to dephosphorize and desulphurize and get a fairly pure chemical product, the tonnage demand for crucible steel has been injured.

The invention of high-speed steel, or the development of it, is a matter of only one decade, and that has tended further to decrease the tonnage demand for crucible steel, because 1 ton of high-speed steel will practically displace 5 tons of the ordinary carbon tool steel, and therefore the demand for crucible steel, taking an average period of, say, just prior to the invention of high-speed steel, say 1906 to 1908, and for the last three years, has increased perhaps 33 per cent in the melting of ingots, whereas the open-hearth steel industry in the same period has increased 650 per cent in volume. When you consider that a large part of the crucible steel requires tool steel in fabricating it, shears and rivet sets, and all that line of tools that are used in working soft steel up into other products, the industry is seen to be one that is not growing rapidly. It is one of small volume, and one that requires very expensive labor to produce that small volume.

The high-speed part of the business in tonnage is not over, perhaps 5,000 or 6,000 tons, of which probably one-third is imported, out of probably 75,000 to 100,000 tons of crucible steel of all kinds.

Senator LODGE. Is high-speed steel very expensive?

Dr. MATHEWS. Yes, sir. I should say the average price of high-speed steel is from 60 to 70 cents a pound, due to the expensive materials used in its manufacture and the expensive labor required to fabricate it after melting.

Senator SMOOT. Has the present rate of duty prevented all importations into this country?

Dr. MATHEWS. No, sir; the importations, I think, have not declined.

Senator JOHNSON. You said they were about one-third, did you not?

Dr. MATHEWS. Certainly one-third in value, and certainly one-third in tonnage, of the high-speed steel is imported.

Senator JOHNSON. From what countries?

Dr. MATHEWS. Primarily from England, but the German makers are getting very active in this country; the Germans and Austrians.

Senator SMOOT. Does not Sweden ship in some?

Dr. MATHEWS. Sweden has almost none. Sweden has been noted for the excellent grade of raw materials she has, bar iron and pig iron and ore, rather than the finished product. There is not over 1,000 tons of crucible steel made in Sweden in a year.

Senator JOHNSON. I understood a manufacturer of anvils to say here yesterday that they used crucible steel for the tops of the anvils, and that Swedish cast-steel anvils were imported into this country.

Dr. MATHEWS. Swedish cast-steel anvils are probably made with Swedish Bessemer or Swedish open-hearth steel.

Senator SMOOT. They make a steel that we do not make at all, do they not?

Dr. MATHEWS. They make steel by the same processes.

Senator LODGE. They have a peculiar ore there, have they not?

Dr. MATHEWS. Their native ore has been the basis of their industry for hundreds of years. Germany and England have drawn on them for centuries.

Senator HEYBURN. Do we make an equivalent to the Swedish steel and iron?

Dr. MATHEWS. Yes; I do not think we are dependent on Swedish iron and steel.

Senator HEYBURN. And yet they do not import into this country to any extent?

Dr. MATHEWS. There is a great deal of Swedish iron and steel, but not in competition with the crucible cast steel. Their production of crucible steel is almost nothing.

The CHAIRMAN. Have you anything further, Doctor?

Dr. MATHEWS. No; unless there are some questions that the gentlemen wish to ask.

The CHAIRMAN. I think the committee has addressed to you all the inquiries they care to. This closes the hearings for this week. A few gentlemen want to be heard on Tuesday next, when it is likely that the hearings on the metals bill be over. They will be finished on Wednesday at furthest.

At 1 o'clock p. m. the committee adjourned until Tuesday, March 5, 1912, at 10.30 o'clock a. m.

and I can not speak for them, but it is apparent they think they should have a protective tariff so as to assure that the purchases of the electrical machinery in Germany will go into German wages and into German industries. That is the effect of it. There is very little electrical apparatus imported into Germany, and their industries there have grown tremendously. It has added to the wealth of the country; new factories are going up all the time, and, as you know, the emigration from Germany has almost turned. Where, 10 years ago, enormous numbers were leaving the country simply because there was no employment, it has now sunk, I believe, to one-tenth of what it was. I can not tell you, but if you will look it up you will see that there is an enormous difference. It is simply because they have encouraged their industries.

Senator WILLIAMS. With a protective tariff, and notwithstanding the fact that their wages are 40 per cent of what ours are, as you say?

Mr. PRATT. Yes.

Senator WILLIAMS. And their wages are 25 per cent less than they are in Great Britain?

Mr. PRATT. I think that was high; I think from 10 to 20.

Senator WILLIAMS. No; that is according to the figures you gave, if you analyze them. You will find that is about it, as I understood it. But if not, they are considerably less, at any rate?

Mr. PRATT. Yes.

Senator WILLIAMS. Germany has, of all countries of continental Europe outside of Russia—all the white, civilized countries—the highest protective tariff except our own, has it not?

Mr. PRATT. I could not tell you.

Senator WILLIAMS. Have you been reading any of the late industrial literature of Germany; and if you have, have you noticed how they are alarming one another about American invasions in their markets?

Mr. PRATT. No; nothing of that kind has come to my attention.

Senator SIMMONS. Senator Williams has read to you from these statistics the rather large amount of exportations of this country of your product and of that of the Westinghouse Co.

Mr. PRATT. Relatively small.

Senator SIMMONS. The figures amount to considerable. How much did you say the total was, Senator Williams?

Senator WILLIAMS. Nine millions.

Senator SMOOT. What is the amount of the American production, all told?

Mr. PRATT. That is very difficult to tell. Our own production is in the neighborhood of \$70,000,000. That is not American; that is gross; everything, export and domestic.

Senator SIMMONS. Nine millions are the exports from this country elsewhere?

Mr. PRATT. I think that is a very fair figure.

Senator SIMMONS. You have a big factory in England; the Westinghouse people, according to the testimony of Mr. Herr, have factories all over Europe.

Mr. PRATT. Yes.

Senator SIMMONS. Will you not tell me, if you and the Westinghouse people can make these things so much more cheaply in Eng-

land and Germany and in France, in the factories there, than you can here, why you do not supply this nine millions of products you sell in the neutral markets from those factories instead of American factories?

Mr. PRATT. That is not a very difficult thing. The Westinghouse people, I believe, according to Mr. Herr's figures, exported two millions. That can easily be taken up in specialties. Ours is more. We have no factory in Germany, as I have told you; we have no factory in France, as I have told you; we have a factory in England. We have 3,500 people there. We have limited facilities. There is demand for a size of apparatus which we can not make in that factory. We have not machine tools; we have not equipment big enough. So occasionally they have an opportunity to sell something which is beyond their capacity. It may be something of very special engineering that they have not the talent to do, and we sell them, in conjunction with the regular line of business, things which they can not produce for lack of facilities. Aside from that, our exports to Great Britain are negligible.

Senator SIMMONS. Is your English factory not quite as up to the standard as your American factories?

Mr. PRATT. As far as it goes, we try to make it so. But it is a very small factory compared to our American factories.

Senator SIMMONS. I understand the factories of the Westinghouse people are rather large?

Mr. PRATT. I believe so; I have not seen them personally.

Senator SMOOT. Let me ask you a few questions on the subject about which Senator Simmons has been directing questions to you. The average rate of duty in England is as high, perhaps, as it is in this country, is it not?

Mr. PRATT. The average rate of duty?

Senator SMOOT. Yes; that is, on articles upon which they levy the duty.

Mr. PRATT. In England?

Senator SMOOT. Yes.

Mr. PRATT. Outside of their spices, etc., they have no protective tariff. In the manufactured articles, broadly speaking, I think they have no protective duty, except on silver plate and possibly one or two other articles.

Senator SMOOT. The duties they do levy—those on tobacco, tea and spices—are higher than those in this country?

Mr. PRATT. I assume so; I do not know.

Senator SMOOT. The reason of that is for the purpose of raising revenue?

Mr. PRATT. Undoubtedly.

Senator SMOOT. England has nothing in the way of a protective tariff?

Mr. PRATT. That is the theory of their tariff.

Senator SMOOT. Let us go to Germany. Germany has a protective tariff on everything that is produced in Germany, for the purpose of having the German people use German goods?

Mr. PRATT. Absolutely.

Senator SMOOT. Their natural resources are not so extensive as in this country.

Mr. PRATT. I should think that was a fair statement.

Senator SMOOT. But it is a little country?

Mr. PRATT. Yes.

Senator SMOOT. Thickly populated?

Mr. PRATT. Yes.

Senator SMOOT. Impossible to support itself unless it has an export business?

Mr. PRATT. That is so.

Senator SMOOT. And the Government encourages that in every way?

Mr. PRATT. Absolutely.

Senator SMOOT. By giving the exporter—the German manufacturer—low rates upon the Government railroads and upon the waterways?

Mr. PRATT. Yes.

Senator SMOOT. They are compelled to do that in order to give employment to their people.

Mr. PRATT. That is true.

Senator SMOOT. Under the German system you know yourself, do you not, that the standard of living in Germany is not to-day as high as it is in this country?

Mr. PRATT. Yes.

Senator SIMMONS. Mr. Chairman, I do not object to a speech, but the Senator is not asking the witness questions; he is making statements himself.

Senator SMOOT. You know it has never been as high as it is in this country?

Mr. PRATT. That, I think, is unquestionably so.

Senator SMOOT. And therefore the duty that is levied here in this country is to maintain the standard of wage to the laboring men in this country; is it not?

Mr. PRATT. I can not see it any other way. That is the direct influence and the direct effect.

Senator SMOOT. And if our laboring men receive only the same rate of wages they do in England, then we would be upon the same basis and would not ask for a protective tariff?

Mr. PRATT. Unquestionably it is the one great element of difference in the cost of production.

Senator SMOOT. And as long as the Americans have the standard of living that they have to-day, the only way to protect that standard of living is by a protective tariff, is it not?

Mr. PRATT. It is the only way I can possibly see.

Senator McCUMBER. Is it not true also that the percentage of the exportation of products in the manufactured lines is very much greater in Germany than in this country?

Mr. PRATT. I have not the exact figures, but I should say it would be very safe to say that is so.

Senator McCUMBER. The home market in Germany is not as valuable a market as the home market in the United States.

Mr. PRATT. It is a very small proportion of the total market, as compared with ours.

Senator McCUMBER. People live on very much less, and are very much more economical in their purchases than the people in the United States?

Mr. PRATT. I do not think there can be any doubt of that.

Senator McCUMBER. And therefore their product mostly goes abroad?

Mr. PRATT. It goes abroad, to a large extent.

Senator SIMMONS. Will you do the committee the favor to put it when you revise your remarks, the amount of the manufactured production, the domestic manufactured production, and the amount of the exports from this country, and the amount of Germany's exports? Then we can work the sum without any difficulty. Just let us have the figures.

Mr. PRATT. You mean in electrical lines?

Senator SIMMONS. No, sir; in all. You have been answering the rather leading questions of Senator Smoot with reference to the exportations of Germany, as to the proportion they bear to the whole production. Just give the figures showing Germany's production of manufactured products and Germany's exports of manufactured products, and showing our production of manufactured products and our exportations of manufactured productions, for the year 1911.

Mr. PRATT. I should be very glad to do everything I could.

Senator SMOOT. What percentage of your production do you export?

Mr. PRATT. A varying percentage. I think a statement that it would run between 5 and 10 per cent of our total output would be a fair statement, year in and year out.

There is just one point I would like to bring out, Mr. Chairman. A statement was made this morning that a letter would be handed in referring to incandescent lamps as coming within the schedule. We have not understood that they came within the schedule, for the reason that—I can not speak except, in a measure, from hearsay—by a Treasury decision they were last classified under paragraph 98, which is glass, as glass was the most important single article which entered into the manufacture of incandescent lamps. If they are coming in under this schedule, it is a matter of very great importance to us, and I think we shall ask for a separate hearing. I am not prepared to speak on lamps, and if they are not coming in, we do not care to. But if they are coming in under this schedule, that is a matter of very great importance to our industry.

Senator SMOOT. Under the Underwood bill there is not any doubt. I suppose, but what they will come in under that.

Mr. PRATT. This revision, I understand, pertains to paragraphs 117 to 199, inclusive. I am told that under the last Treasury decision incandescent lamps were classified under paragraph 98, which is not one of those affected by this particular bill. If there is any misunderstanding on that point, I think our people ought to be advised.

The CHAIRMAN. It probably does not come within the jurisdiction of this particular schedule.

Mr. PRATT. If I have made my position clear, that is the only thing I have to say.

The CHAIRMAN. If occasion should require, you will be given ample opportunity to be heard on that phase of the question.

It is impossible to hold the committee any longer, and the committee will therefore stand adjourned until 10 o'clock to-morrow morning, when it is hoped that these hearings on the metal schedule will be closed.

Thereupon, at 12.20 o'clock p. m., the committee adjourned until to-morrow, Wednesday, March 6, 1912, at 10 o'clock a. m.

As to the question that was asked of Mr. Bradstreet about the capital and the profit on the investment, I think it can be truly said of the entire group of clock manufacturers that their profits never have been extraordinary on the capital invested. In fact, out of ten or a dozen, two have been unable to continue, on account of the competition among American clock factories, and the rest have hardly averaged over a payment on their investment of 7 or 8 per cent. They have also sold to the American consumer as cheaply as they have sold abroad. We have never sold our clocks at less prices abroad than we sell them to the jobber in this country.

As Mr. Bradstreet has said, we are employing something over 10,000 people; and that business is entirely separate from the watch business. We asked last year that we be separated from the watch business, as we are distinctly clock manufacturers. Any watches that are made by the clock manufacturers are the low-priced watches that retail for \$2 or under.

The clock companies have always been in open competition and have been steadily reducing the prices of their manufactured article. Perhaps it is only fair to give an idea of what it costs a man, in the cost of living, to get his clocks. He now gets a nickel alarm clock for from 60 to 70 cents. That is what the consumer is able to buy a nickel alarm clock for. That clock has a life of at least 3 or 4 years. He buys a mantel clock, the ordinary kitchen clock with which you are familiar, as low as a dollar and a half, and that will readily have a life of 10 years.

Senator HEYBURN. That is a one-day clock?

Mr. CAMP. That is an eight-day striking clock, which a few years ago we were selling at wholesale for over \$3 apiece.

Senator HEYBURN. I paid \$5 for one the other day, and they said it was the lowest-priced eight-day clock I could get for a kitchen clock.

Mr. CAMP. You should go to the man that is cutting prices. In other words, it costs about 15 cents a year for the man to have a clock. If he replaces his clock when it wears out, he would pay about 15 or 20 cents a year for his timepiece throughout his life, with a prospect of still further reduction.

I shall be very glad to answer any questions that may be asked by Senator Heyburn or anyone else, if I can throw any light on the subject.

Senator HEYBURN. That was a queer statement that was made by the gentleman who preceded you on the stand, to the effect that in estimating his profits at 6 per cent he took no account of the investment. What percentage do you make on your investment?

Mr. CAMP. I should say that we have not averaged 5 per cent on our invested capital in the last 20 years.

Senator HEYBURN. When you speak of "invested capital," do you include your plant?

Mr. CAMP. Yes.

Senator HEYBURN. He said he did not. That was rather an astonishing statement, and I wanted to unravel any confusion that might exist.

Senator WILLIAMS. He said he did not do what?

Senator HEYBURN. He said he did not make any profit, including the investment. In other words, when he said he made 6 per cent

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The total export of electrical wire and cable in any of these years can not be ascertained, but it is well known that the amounts thereof are small; probably not exceeding \$200,000 per annum.

The only industrial census taken in recent years for the United Kingdom of Great Britain and Ireland was for the year 1908. The following is compiled from a summary of that census published in Webb's New Dictionary of Statistics, 1911:

Total value of products manufactured in the United Kingdom of Great Britain and Ireland for the year ended Dec. 31, 1908, £1,254,337,000.

Whittaker's Almanac, a well-recognized authority, states the exports of manufactured products from the United Kingdom during the same year to have been £315,370,155. Ratio of same to total manufactures produced, approximately 25 per cent.

There are no statistics giving the total of electrical manufactures of the United Kingdom, but those familiar therewith estimate the aggregate value to be £8,000,000, excluding wires and cables.

Whittaker's Almanac shows the exports of such electrical material in 1908 to have been £1,943,104, which is 24 per cent of the estimated total production.

The British trade papers state the total electrical exports of electrical apparatus and material from the United Kingdom during recent years, including wires and cables, as follows:

1908	£2,721,230
1909	3,649,120
1910	5,680,450
1911	4,615,380
Total	16,666,180

There has been no complete census taken of the manufactures of Germany in many years.

The total exports of Germany in 1907 were about \$1,629,000,000, which is valued about \$1,000,000,000 worth of manufactures.

(See pp. 125 and 127 of Commercial Relations of the United States, 1908, published by Department of Commerce and Labor.)

The total electrical production of Germany, year 1910, is estimated at \$12,000,000 by those familiar with the situation.

The above reference states that Germany's electrical exports in 1907 aggregated \$39,825,254, and in 1908, \$44,082,122.

The Elektrotechnische Zeitschrift, a reliable German technical publication states the total exports of German electrical products in 1910, not including wires and cables, to have been 238,000,000 marks, the equivalent of \$59,500,000, which is approximately 44.4 per cent of the estimated total of its entire electrical production.

The same authority states that the exports of electrical wires and cables from Germany in 1909 were valued at the equivalent of \$5,215,000.

Various reliable foreign technical and trades papers state the electrical exports of certain continental countries during recent years to be as follows:

Austria-Hungary:

1907	\$1,572,000
1908	1,912,000
1909	1,901,000
1910	1,940,000

France:

1908	2,126,000
1909	3,176,000
1910	4,512,000

Switzerland:

1909	4,340,000
1910	4,540,000

Sweden:

1909	1,145,100
1910	1,992,044

Italy:

1909	\$90,120
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DUTIES ON METALS AND MANUFACTURES OF METALS

No. 19

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED

AUGUST 5, 1909

FIRST PRINT

TUESDAY, MARCH 5, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

before you committee in the interests of domestic textile-machinery manufacturers to protest this rate.

As import merchants who deal in this class of machinery, may we take the liberty of placing before you a few facts which, we think, will fully convince you that this rate of duty is altogether too high.

We would respectfully point out that an ad valorem duty of 25 per cent would give the American machine builders at least 42 per cent protection, as in addition to the extra cost of packing, freight, etc., the duty is assessed on the cost of the packing cases and the packing of the machinery. The foreign machine builder is handicapped by having to completely disassemble all his machines (except looms, which are practically not imported at all) and pack them very securely in order to withstand the ocean voyage, whereas the domestic machine builder can ship many of his machines to the mill in a partially erected condition, and does not pack, but merely trestles them.

For several years past fully 90 per cent of the machinery supplied to cotton mills has been manufactured by the American machine builders. This in itself is enough to show that there is but little competition, especially when it is considered that much of the imported machinery was bought at times when there was a good demand and the prices of domestic machinery were enormously inflated. It is indisputable that the price of cotton-mill machinery to the consumer is regulated by the price at which foreign machinery can be landed in the United States, so that the purchaser pays a high price whether he buys from the foreign or domestic builder. This is further substantiated by the fact that the cost of building a mill in this country is fully 75 per cent higher than that of England and other countries, and the principal item of cost in the building of a cotton mill is the machinery.

On the other hand, when orders are not so plentiful, the American machine builder can make tremendous reductions in his prices and yet make large profits. (See Boston News Bureau, Feb. 15, 1912—statement of the Saco Pettee Co.: "From balance-sheet comparisons, the company last year, despite the acute textile depression, earned net about \$236,000, or nearly twice the 1 per cent dividend requirement on its \$1,600,000 stock.")

To give more specific instances, and to supplement which, we may say that the principal firm we represent, Messrs. Platt Bros. & Co., of Oldham, England, are the largest manufacturers of textile machinery in the world, and are consequently in a position to manufacture cheaply. Their machinery stands high in the estimation of the best manufacturers here, and it should therefore serve as a fair standard of comparison. Further, they sell all their machinery on a strictly cash basis, and as they are at all times in open competition with other manufacturers of machinery in England as well as here, it follows that their prices are on a comparatively low basis. Yet, in spite of this, we can not and never have been able to buy a complete 40-inch cotton-carding engine, including the clothing, packed and delivered at Liverpool, for less than \$400, whilst the Saco Pettee Co. and the Whitin Machine Works have sold hundreds of cards about this price and less, clothed, fitted up in the mill, and ready to run. Both these makes of cards are modeled after the Platt card, and are, to all intents and purposes, an exact reproduction of it.

Take a cotton comber; the Whitin Machine Works are the only builders of this machine in this country. They build an eight-head machine, copied from the Platt comber, except with certain modifications, which would, if anything, tend to make it more expensive to manufacture than otherwise; yet they are offering this machine for sale at the present time in the neighborhood of \$300 delivered, fitted up in the mill, and ready to run, whereas the lowest price at which we have ever bought a similar machine during the last eight years packed and delivered at Liverpool, is more than 15 per cent higher than this price, without any ocean freight, duty, or profit to ourselves added. The price of a 40-inch cotton picker is almost in the same proportion, and similar comparisons can be made in regard to all other cotton-mill machinery.

The American machine builders claim that their machinery is as good as any foreign-built machinery. If this is true, then it is self-evident that no duty at all is necessary. If it is not true, then it clearly shows that the manufacturer is induced to buy an inferior machine, and for which he pays far too high a price.

Thus the textile industry of the United States, which employs quite 3 times as many people as are employed in the manufacture of textile machinery, is severely handicapped for the benefit of this comparatively small combination of machinery builders.

During the discussion of the Payne tariff bill in 1908 we submitted a brief, which will be found on pages 2807-2814 in part 2 of the tariff hearings, 1908-9, before the Committee of Ways and Means, in the House of Representatives. In the same volume may be found brief submitted by Mr. Herrick, and also his reply to our brief. Mr. Herrick could not in any way prove that the statements made by us were incorrect. He did contradict some of our statements, but his own were not correct, and could not be proved.

The prices of other English makes of textile machinery approximate very closely to those of the Platt Co., and whilst it may be pointed out by the American machinery interests that certain English machines have been sold here at prices which almost compete with American-made machinery, we beg to point out that the importation of this class of machine is so very small that it need not be taken into consideration at all. We mention this so that you may not be misled by any unfair comparisons.

To sum up the situation, it would really seem that the domestic machinery builder needs no protection, and a duty of 10 per cent on imported machinery would enable him to make large profits and would at the same time yield the Government a fair revenue.

Yours, respectfully,

LEIGH & BUTLER.

[Boston News Bureau, Feb. 15, 1912.]

SACO-PETTEE CO.—FROM OWN SHOWINGS EARNS 8 PER CENT DIVIDENDS NEARLY TWICE OVER—\$450,000 NET IN A GOOD YEAR—FURTHER CONFIRMATION OF LOWELL MACHINE SHOP SALE.

BOSTON.

The Saco-Pettee Co., one of the largest cotton-mill machinery manufacturers in the United States, second only in importance probably to the Draper and Whitinsville companies, is apparently having as prosperous a career as its predecessor, the Saco-Pettee Machine Shops. From balance-sheet comparisons the company last year, despite the acute textile depression, earned net about \$236,000, or nearly twice the 8 per cent dividend requirements on its \$1,600,000 stock.

The possibilities of Saco-Pettee are not fully measured, however, by this statement. It is understood that the company can, in a good year, show \$450,000 to \$500,000 net money on gross business of rising \$4,000,000, which is at the rate of about 30 per cent on capital stock.

Saco-Pettee Co., however, is only a year old. It will be recalled that in the summer of 1910 the new "company" was organized primarily to distribute the surplus assets of the old "Machine Shops," the \$400,000 preferred stock of which was retired at \$110 a share. The Saco-Pettee Co. with a \$1,600,000 capital then took over the business of the "Machine Shops," and the original company handed over to the new concern raw materials on hand, investments in other companies, real estate and machinery, and \$100,000 working capital.

The remaining assets of the "Machine Shops" were then segregated, and from this liquidation the holders of the \$800,000 common have already received \$185 a share. A "final" is yet to come.

The distinguished feature of the first year's operations of Saco-Pettee Co. were two. There was a \$239,000, or 32 per cent, increase in floating debt, the policy of the company undoubtedly being to stimulate orders through the extension of credit in much the same manner as other textile-machinery manufacturers accept new mill stocks in payment. There was also a significant marking down of \$342,000 in stocks held in other companies, thus lending further corroboration to the early report that the leading textile-machinery manufacturers of New England a few months ago liquidated their holdings of Lowell Machine Shop, since reorganized.

THE DURBBOW & HEARNE MANUFACTURING CO.,
MANUFACTURERS AND IMPORTERS OF SMALL MACHINERY.

New York, February 19, 1912.

Hon. Senator JOHN SHARP WILLIAMS,
United States Senate, Washington, D. C.

DEAR SIR: You may remember that I appeared before the Senate Finance Committee on Friday, February 16, favoring the reduction of duties on sewing machines and other items in Schedule C, and that incidentally I referred to typewriters as being an item that ought to go on the free list also.

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I see from the published reports in the New York Sun, on Saturday, February 17, that this brought down on me the wrath of the representatives of the typewriter association, represented by Mr. Strauss.

I have not before me, of course, any report of the proceedings, but I understand that you questioned the witness vigorously and no doubt called attention to the almost infinitesimal imports of typewriters, which amounted to \$500 in 1911 and \$838 in 1910.

The report says that the average profit on typewriters was given by Mr. Strauss at from \$10 to \$12 per machine. I would call attention to the fact that the leading newspapers during the last week have contained an advertisement (a copy of which is in the window of the Underwood Typewriter Co. in Washington, D. C.) stating that they have taken an order from the Western Union Telegraph Co. for 10,000 machines. It would be interesting to inquire if these 10,000 typewriters were sold to the Western Union Telegraph Co. at less than the regular price. I have no doubt they were, and it would be good business to so sell them, but the question is, how much less than \$10 or \$12 per machine (the alleged profit) under the regular price were these machines sold to the Western Union Telegraph Co.

The selling price of the Underwood typewriter for cash runs in the neighborhood of \$95. I doubt very much if the cost of the machines is over \$25 each.

When I speak of the typewriter association, I think I can say that I speak advisedly. It is common talk in the trade and is confirmed by the statements made by salesmen for the various typewriter companies, who speak of agreements among the manufacturers as to selling prices, allowances to be made on old machines, terms, etc.

Mr. Strauss's own figures show a profit paid out of \$12.77 per machine on 100,000 machines manufactured last year. On the other hand, how much more profit made on the machines is concealed in surplus and undivided profits, which will be apportioned later, as, according to Mr. Strauss's statements, some millions of stock was divided recently.

I made an error in giving the present capitalization of the Singer Manufacturing Co. as \$75,000,000. It should have been \$80,000,000. This error, however, does not substantially change my statement that the figures show almost fabulous profits. I have verified the figures from Moody's Corporation Statistics, and they are marvelous.

In the year 1863 the business was incorporated, nearly 50 years ago, with a capital of \$500,000 to take over the business of I. N. Singer, who had been making money before then; this is all the outside capital ever put in the business: in 1873 the present concern was incorporated from the old one with a capital of \$1,000,000; in 1887 the capital was increased to \$10,000,000; in 1900 the capital was increased to \$30,000,000; in 1909 the capital was increased to \$60,000,000.

The profit made from 1863 to 1897 are not given in the publication referred to, but the figures from 1898 to 1912 are as follows:

1898, 30 per cent on \$10,000,000.....	\$3,000,000
1899, 100 per cent on \$10,000,000.....	10,000,000
1900, 20 per cent on \$30,000,000.....	6,000,000
1901, 7 per cent on \$30,000,000.....	2,100,000
1902, 9½ per cent on \$30,000,000.....	2,850,000
1903, 12 per cent on \$30,000,000.....	3,600,000
1904, 31 per cent on \$30,000,000.....	9,300,000
1905, 13 per cent on \$30,000,000.....	3,900,000
1906, 8 per cent on \$30,000,000.....	2,400,000
1907, 11 per cent on \$30,000,000.....	3,300,000
1908, 15 per cent on \$30,000,000.....	4,500,000
1909, 30 per cent on \$30,000,000.....	9,000,000
1910, 19 per cent on \$60,000,000.....	11,400,000
1911, 12 per cent on \$60,000,000.....	7,200,000
1912, 3 per cent quarterly.....	1,800,000
1900, 200 per cent stock dividend.....	20,000,000
1910, 100 per cent stock dividend.....	30,000,000

Profits in 14 years..... 130,350,000

Or over \$9,000,000 per year.

There are several affiliated companies beside the Singer Manufacturing Co. for instance, the Singer Sewing Machine Co. (the Selling Agency), incorporated

in 1904, with a capital of \$1,000,000; the Blickensderfer Typewriter Co., the Diehl Electric Co., and perhaps the German and Scotch companies' figures are in addition to the above.

As the present capital stock of \$60,000,000 of the Singer Manufacturing Co. is worth three times the par value (or about \$300 per \$100 share), an additional created value or profit of \$120,000,000 thus appears, which should be added to the profit paid. If you add to the figures given the profits for 35 preceding years (and stock dividends of \$9,500,000 was paid in that time), my estimate of about \$400,000,000 profits is not very far from the mark.

Very respectfully, yours,

ROBERT J. HEARNE.

SOUTHERN MACHINERY,
Atlanta, Ga., February 26, 1912.

Senator JOHN SHARP WILLIAMS,
Washington, D. C.

DEAR SIR: In addressing you in regard to the bill known as H. R. 18642 we have a deep appreciation of your patriotism and your desire to do everything in your power to further the interests and welfare of the South. The feature in which we see especial danger is the inclusion of the words "machine tools" under the list of articles to be admitted free of duty into the United States. Your attention is respectfully called to the following reasons why we believe machine tools should not be admitted under this classification:

There is no specific principle of tariff making under which the placing of machine tools on the free list can be justified. When the Payne law was under consideration the tariff was reduced on machine tools from 45 to 30 per cent after a full investigation and deep study into the conditions. At that time the builders of this class of machinery called attention to the difference in labor costs in this country and abroad, and stated that 30 per cent was the lowest possible tariff under which they could hope for a reasonable profit. This is in full keeping with the principles of protective tariff and also with the principles of tariff for revenue only.

It is well known that the Germans, with their low cost of labor and skill in industrial pursuits, can manufacture tools of a high grade cheaper than can be done here. During the fiscal year 1911 \$57,324 was collected as duty on importations into this country, and under the present 30 per cent tariff rate this figure will steadily increase from year to year.

The principles of free trade call for the uniform application not only to manufactured articles, but to the raw products as well. The bill under consideration covers innumerable items of raw material and finished products into which any kind of metal enters, but places only seven items on the free list, and one of these is machine tools. This compels the American manufacturer of machine tools not only to compete with the low-priced foreign labor, having a wage rate of only about one-half of that which holds in the United States but which is just as efficient, but also with all other employers of American labor whose product is still protected and who use the same class of labor as the machine-tool industry.

At the same time a tariff is established on every item of material that goes into a machine tool. While this new rate may be lower than at present holds, none of the reductions are of sufficient importance to permit machine-tool builders to purchase any of the material needed at a lower rate than at present.

Proof is available to show that the present duty of 30 per cent does not fully equalize the difference in labor costs here and abroad. In this statement special reference is made to our chief competitor—Germany. This proof will show that with machine tools on the free list and using as a basis the regular prices quoted by German builders in Germany—not the lower export prices as is the usual custom with German builders—American machine tool builders will have to compete with German models of our own product which would be equally as good, or, perhaps with machines of original design, that would be superior. This, too, in the face of an unequal labor cost and a tariff on the material that goes into the finished product. Under these conditions our country would be flooded with foreign tools at from 30 to 40 per cent less cost than it is possible to build the same equipment here. To put this industry on the free list, and at the same time to give no reduction in material or labor cost and overhead charges, would be to ruin it.

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It should be borne in mind that this bill proposes to open our market to foreign competitors and at the same time it does not secure for our builders any relief from whatever tariffs foreign governments may see fit to place against our product. In some instances these tariffs are practically prohibitive. Canada, as an example, imposes a tariff on American machine tools of 27½ per cent. According to the proposed bill, our markets would be free to Canadian manufacturers, and their market protected from our builders by a 27½ per cent tariff. Under these conditions it would, of course, be possible for American manufacturers to remove their establishments to Canada or Germany, where the same conditions as face our competitors could be obtained, but the United States would lose an industry and these countries gain one.

If it is well to give the user of machine tools the advantage of a 30 per cent lower cost, even if it should drive from the country an industry, why does the bill not include all other finished metal products on the free list?

There is another reason for you, as a Senator from Mississippi, carefully considering this bill. You doubtless well know the struggle that is going on in our State for the establishment of industrial enterprises. Whether you are in the closest touch with the progress that has been made we are not prepared to say, but the establishment of metal-working establishments has only just begun and unless this feature of industrial growth is carefully fostered it will be completely destroyed. As a rule, young companies are not provided with unlimited capital, and unless the conditions are at least even, they will fail. Failures are a loss to the whole of society as well as to the individuals directly involved. Mississippi is not now in a position to withstand industrial failures without severe loss, and we believe that you are ready to exert your power in her behalf.

In view of the statements preceding we ask that you do what you can to correct the error of both Houses of Congress and favor an amendment to eliminate the words "Machine tools" from the free list of bill H. R. 18842.

With kindest regards and best wishes for the future, we are,

Very truly, yours,

SOUTHERN MACHINERY,
W. R. C. SMITH, *President*.

TEXTILE MACHINERY.

[Brief in support of present duty of 45 per cent, by Robert F. Herrick, treasurer *Lowell Machine Shop*, for committee of textile machinery manufacturers.]

The tariff on textile machinery.

SUMMARY.

A.

The rate of duty is now, and has been for last 45 years, 45 per cent, except during the three years of Wilson tariff, when it was 35 per cent. The proposed rate of duty in House bill No. 18842 is 25 per cent.

B.

The capital invested in this country is over \$50,000,000, and the total annual product is from \$20,000,000 upward, and the number of men employed is from 12,000 to 20,000.

C.

The increase in production in this country during the last 15 years has been over 100 per cent, and prices have been materially reduced, and yet the English production exceeds the American by over 200 per cent.¹

D.

The importations at Boston from England in 1898 were \$850,850, and they had increased in 1910 to \$3,711,381.² The total importations into United States

¹ See daily Consular and Trade Reports, U. S. Dept. of Commerce and Labor, Sept. 2, 1908, No. 3289, p. 9.

² Records of the appraiser of the port of Boston. See Appendix A.

from England in 1909 were \$3,680,840,¹ and in 1910 were \$5,559,884.¹ The importations into United States from other countries in 1910 were over \$1,000,000, making the total importations into United States for 1910 (at their foreign value) over \$8,500,000. Landed here, duty paid, these imports had a value of approximately \$9,750,000, and took the place of American machinery to this extent.

E.

The total annual revenue from importations is approximately \$3,000,000; to obtain the same revenue, if the proposed reduction is made, importations must increase to (foreign value) approximately \$12,000,000, equivalent to an American value or production of approximately \$18,000,000. The American production will be reduced as a result by the amount of the increase in importations, that is, the difference between \$18,000,000 and the \$9,750,000 value of present importations, which difference is approximately \$8,250,000, which is equivalent to a large percentage of the American production, to wit, 41 per cent, and this necessarily means a loss to American workmen of wages now paid them (approximately one-half total cost of production) of over \$3,000,000.

F.

At the present time the sales of textile machinery in this country consist of imported machinery (American value), \$9,750,000, or 33½ per cent; domestic machinery, \$20,000,000, or 66½ per cent. No domestic machinery is exported. If the proposed reduction in the duty from 45 to 25 per cent is made, in order to secure the same revenue under the reduced rate the amount of imported machinery must increase by 80 per cent, that is, in the proportion of 45 to 25, and the production of American machinery will decrease by the same amount. As a result the sale of textile machinery in the United States, after the proposed reduction, would be, imported machinery, 60 per cent; domestic machinery, 40 per cent, which means a decrease in American production from the present figure of \$20,000,000 to, say, \$12,000,000.

G.

American wages are greater than English wages by over 100 per cent² and the percentage of total English cost to American cost is approximately 66½ per cent. The present duty of 45 per cent on the foreign cost no more than offsets this advantage in labor, cost of material, etc., and is a fair duty.

This is essentially a situation where no benefit is gained by the decrease in duty, and the increase in imports necessary to produce the same revenue is offset directly by a loss of wages to American workmen.

BOSTON, MASS., February 20, 1912.

To the COMMITTEE ON FINANCE,

• United States Senate, Washington, D. C.

GENTLEMEN: This brief is filed with the committee on behalf of the principal manufacturers of textile machinery in the United States. The duty on textile machinery under the present tariff is 45 per cent ad valorem, assessed under paragraph 199 of Schedule C, as a manufacture of metal not specially provided for. We ask that this rate be maintained and that the rate of 25 per cent fixed by paragraph 66 of House bill No. 18642 be increased to the present figure of 45 per cent so far as it applies to textile machinery.

PREVIOUS TARIFFS.

For the last 47 years the rate of duty on textile machinery has remained at 45 per cent, with the exception of the three years of the Wilson tariff, when the rate was reduced to 35 per cent. During this period this industry, involving more than \$50,000,000 and employing from 12,000 to 20,000 men, has been built

¹ See Daily Consular and Trade Reports, U. S. Dept. of Commerce and Labor, Apr. 6, 1911, No. 80, p. 68.

² See British Board of Trade Report, C. D. 5609.

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up. It is now proposed, by the above-mentioned bill, to reduce the existing 45 per cent rate to 25 per cent, and this figure has been determined without any consideration being given to the conditions of our business and our need of the full amount of protection now afforded us. We contend that this method of revision is unfair, and we ask consideration on the facts concerning our own business.

CAPITAL INVESTED AND MEN EMPLOYED.

The capital invested in the manufacture of textile machinery in the United States is in excess of fifty millions of dollars and the total annual product of textile machinery in this country averages from \$20,000,000 upward. It is estimated that the number of men employed in the United States in this industry is from 12,000 to 20,000. The estimated annual wages approximate one-half of the annual production.

DOMESTIC AND FOREIGN OUTPUT COMPARED.

The production of textile machinery in this country at the present time is more than twice as great as it was 15 years ago. During this period the production has increased in England to a much greater extent, and in 1910 it is estimated that the English output was over three times that of the output in this country. England is the largest manufacturer of textile machinery, but during the last few years there has been a steady increase in the production of the French and German shops, and these countries, particularly France, have now become keen competitors of the American producers in certain lines and merit serious consideration.

IMPORTS AND EXPORTS.

Our investigations show that the importations of textile machinery at the port of Boston alone, which are shown in detail in Appendix A annexed hereto, are over four times as great to-day as they were in 1898, and that they have increased from \$850,850 in 1898 to \$3,711,381 in 1910. The reports of the Bureau of Manufactures of the United States show that the imports of textile machinery from England into the United States in 1909 amounted to \$3,680,840, and that in 1910 they jumped to \$5,559,884. We are advised that the importations of textile machinery in 1910 from countries other than England amounted to over \$1,000,000, which makes the total imports into this country for the year 1910 amount at their foreign value to approximately \$6,500,000, or, at their value in the United States, duty paid, to approximately \$9,750,000, an amount practically equal to one-third of the entire sales in the country for the year. These figures are in themselves conclusive that the protection afforded the textile-machinery manufacturers of this country is not only deserved but essential to the existence of the industry.

There are practically no exports of American-made textile machinery to other countries. The reports of the Bureau of Manufactures as to foreign textile industries show conclusively that our textile machinery is practically never found in foreign textile mills. Such isolated instances as there have been of sales abroad by American manufacturers have been solely in cases where there was a desire to try the higher-priced American goods because of some special or patented feature. We can not compete abroad with the cheaper costs of our foreign competitors. On the other hand, England alone exported over \$37,000,000 of textile machinery in the year 1910.

EFFECT OF PROPOSED REDUCTION.

No loss of revenue is contemplated by the proposed reduction. The revenue from importations of textile machinery under the present tariff is approximately \$3,000,000 per annum. Should the duty on textile machinery be reduced to 25 per cent, as is proposed, in order alone to make up for the loss of revenue occasioned by the reduced rate, it would be necessary for the imports at their foreign value to increase to over \$12,000,000, which is equivalent to a domestic production of \$18,000,000, and would necessarily mean a decrease in our production corresponding to the increase in imports. In other words, if the duty is reduced from 45 to 25 per cent, in order to equalize the revenue it is necessary for the importations to increase in the ratio of 45 to 25; that is, by 30 per cent.

At present the importations are approximately \$9,750,000 at their American value, or 33½ per cent of the annual sales in this country, and the American production is about \$20,000,000, or 66½ per cent of the sales. If the imports increase by 80 per cent, which is necessary if the duty is reduced in order to equalize revenue, they will amount to 60 per cent of the annual sales here, and the American production will be reduced to 40 per cent of the annual sales; that is, of the total sales in this country the foreign production will be in the proportion of \$18,000,000 to the American production of \$12,000,000. To illustrate, let us assume that 300 machines of a certain kind are purchased annually. At present 100 are imported and 200 are made in this country. If the rate is reduced from 45 to 25 per cent, the importations must increase in the ratio of 45 to 25, or by 80 per cent, so that after the reduction, if the same number of machines is used, 180 would be imported and 120 made here.

The result of the proposed reduction would necessarily mean, as is shown by the figures given in the report of the Ways and Means Committee, giving to the foreign manufacturers the bulk of the business in order to equalize revenue, and this would mean the discharge of many thousand American workmen or a decrease in their wages. As a matter of fact the actual result would be the practical elimination of the American manufacturers from the market.

AMERICAN AND FOREIGN COSTS.

A careful computation shows that labor constitutes approximately 50 per cent and material 50 per cent of the cost of production of textile machinery in this country. On the question as to the relative cost of labor here and abroad we are fortunate in having a careful and complete record in recent English Board of Trade reports, an abstract from which (Appendix B) is appended. It will be seen from this abstract that the labor costs in France and Germany in machinery industries are much less than in England. However, taking England, which is the largest producer of textile machinery and thus furnishes a fair basis for comparison, the reports show that labor costs there in the manufacture of machinery are less than half of those in this country. We believe that the English costs would be found to be comparatively even less if account were taken of the extensive use of boys, so-called "lads," in the English machine shops at less than half the full wage.

As to material, the English costs are not as great as the costs in this country. We have carefully considered the question of a possible saving in the cost of production by reason of the proposed reduction in the duty on our raw materials, and are unable to estimate anything more than a negligible saving upon such reduction.

A still further saving is effected by the foreign producers in plant investment and working capital. Conservative estimates give the English plant investment, is probably not over 85 per cent of ours, and their cheaper wages, material, and other costs enable them to effect a substantial saving in working capital.

FOREIGN MANUFACTURERS SELL THEIR MACHINERY IN THIS COUNTRY IN COMPETITION WITH US EVEN AT THE PRESENT RATE OF DUTY.

It is a fact that the English textile-machinery manufacturers can add the present 45 per cent duty to their cost of production and sell their machinery in this country in competition with the American manufacturers and they are doing so to-day.

As I have already stated, importations of textile machinery in 1910 at their foreign value exceeded \$6,500,000. This machinery, duty paid, had a sale value in the United States of approximately \$9,750,000, and was sold here in competition with American machinery, thereby displacing American machinery to that extent.

The cost of labor in the English shops making machinery similar to the American machinery is something less than 50 per cent of the American cost, and their materials also cost less than do ours.

This difference permits the English manufacturer to pay the present 45 per cent duty and the slight extra packing costs and freights and still permits him to lay his machinery down here in competition with ours and at a profit. The saving effected in England by cheaper plant cost and smaller working capital more than offsets the slight difference in costs for packing, the duty on packages and, in certain instances, for freights.

Furthermore, the freights to southern points from England on direct shipment very slightly, if at all, exceed the same freights from New England, and in many cases are less, and there is no reason why foreign manufacturers should not ship direct.

To New England points not on the seacoast the American manufacturer has a slight advantage, but in many cases, such as the great textile centers of New Bedford, Fall River, and Philadelphia, there is no advantage to American manufacturers.

TEXTILE MACHINERY AND TEXTILE MILLS.

It may be urged that the duty on textile machinery should be reduced in order to assist American textile manufacturers, even though it means sacrificing one protected industry to aid another, but we contend that a reduction of this duty would be of no substantial benefit to the American textile manufacturers. The decrease in the cost to the textile manufacturers of textile machinery as a result of a reduction in the duty would be slight, and it is obvious that this decreased cost would apply only to new construction. As to existing construction, it would mean a corresponding depreciation. It must be borne in mind at the same time that a large reduction in this duty means eventually the elimination of the American textile machinery manufacturer from the market. This would be a decided handicap to the American textile manufacturer and would more than outweigh any possible benefit from a decrease in the cost of textile machinery for new construction, which in the long run is sure to be slight.

For these reasons the American textile manufacturers have never asked for a reduction of the duty on textile machinery, but on the contrary have expressed the desire that it continue to receive fair protection in order to secure the continued existence of the American manufacturers.

American textile mills undoubtedly cost more to construct than do English mills. It is sometimes said that an American mill costs \$20 per spindle while an English mill costs only \$5 per spindle, but this means only an English spinning mill or half an American mill. Accurate figuring shows that the cost of English mills similar to the American mills is fully \$16 per spindle, and that \$5 per spindle is only a little more than the cost of the textile machinery in an English spinning mill.

Appended is the estimate of a competent mill engineer which shows that the cost of an American mill with automatic looms is \$21.66 per spindle and with plain looms is substantially \$19 per spindle, and the actual cost figures of a similar English mill. (Appendix C.)

ENGLISH SPINNING MILLS AND WEAVING SHEDS.

There is a fundamental difference between English and American cotton mills. English mills are practically always divided into separate classes—one for spinning and one for weaving—whereas the American mills practically always combine both spinning and weaving.

It is customary in speaking of an English mill to refer merely to a spinning mill, and weaving mills are ordinarily spoken of as weaving sheds. Statements about the cost of English mills practically always refer to the cost of spinning mills. The result is that the cost per spindle is stated at a very low figure inasmuch as neither the weaving shed, the looms, nor any of the other weaving equipment is included.

There are a few American spinning mills, but these mills can not fairly be compared with the English spinning mills, since in practically every case the American mills, where they are equipped solely for spinning, carry the work on the yarn far beyond the stage of preparing it for weaving. Such mills make special yarns for knitting, mercerizing, etc., and are in a class by themselves. In England there is a distinct separation between the spinning of the yarn and weaving of the cloth, and yarn is spun simply for weaving purposes by the spinning mill, while the weaving is done by a separate mill. In this country, on the other hand, there is no separation between the spinning and the weaving, and the cloth is made complete in one mill. Spinning mills here, by reason of extra and special machinery, cost very nearly as much per spindle as a cloth mill.

MILL COSTS IN ENGLAND AND THE UNITED STATES.

Automatic looms are now coming into general use both here and in England and these looms cost a little more in England than they do in this country. b

order to compare English mill costs with the American costs it is necessary to take the combined cost of an English spinning mill and weaving shed to compare with the American mill. If automatic looms are used in making the comparison, the percentage of difference in the mill cost, due to the machinery, becomes materially reduced. Of course the use of these looms has no effect on the cost per spindle of the machinery other than looms. The most accurate figures that we can obtain make the cost of English textile machinery in England, not including automatic looms, about 30 per cent less than the cost of American machinery in this country.

It is customary in England to construct cotton mills more heavily than in this country, and as a result the building costs are often as great in England as here, though, owing to the low cost of labor in construction, the cost would be less if the mills were built as they are built in this country.

Textile machinery constitutes approximately one-half the cost of a cotton mill and may be roughly estimated at from \$10 to \$12 a spindle here. In England the machinery costs from \$8 to \$10 a spindle, with automatic looms. With plain looms, the machinery cost would be approximately \$2.50 a spindle less in this country, and the difference would be a little more in England. We understand that the cost per spindle of an American cloth mill with the latest equipment, including automatic looms, is less than \$4 more than the cost per spindle of a combined English spinning mill and weaving shed with the same equipment. If plain looms are used in place of automatic looms, the difference in cost is slightly greater.

EFFECT OF REDUCTION IN DUTY.

In considering the effect of a reduction in the duty on textile machinery on the cost of American cotton mills there are two other considerations to be borne in mind. Textile machinery constitutes only a part of the cost of the mill. The machinery in an American cotton mill which combines spinning and weaving costs, without looms, approximately \$8 a spindle, or about 40 per cent of the total cost of the mill.

It is absurd to contend that a reduction of the duty to 25 per cent would give the American purchasers the benefit of the entire 20 per cent reduction. There are but few successful manufacturers of textile machinery in England. It would be convenient and natural for them to maintain prices here at a figure just low enough to prevent competition by American manufacturers, but considerably higher than the English price. English manufacturers can and do compete to-day with the American manufacturers even with the present duty. It is evident that with the duty reduced and the American manufacturers once out of business the English manufacturer would not keep their prices very much under the present figures.

Assuming that the duty is reduced to 25 per cent and that the American purchasers are given the benefit of the entire reduction, which is improbable if not impossible, this would mean a reduction of approximately 12 per cent in the cost here of English textile machinery and a decrease at the most of 6 per cent in the cost of new mill construction. In working out these figures as to the effect of the reduction of the duty and the cost of mill construction we have not made any substantial allowance for working capital, and if this is taken into consideration the percentage of saving would be even smaller. It can readily be seen that the saving in the cost of textile fabrics would be infinitesimal and that the benefit to the textile manufacturers would not be sufficient to compensate for the elimination of the American manufacturer of textile machinery.

The result of such a reduction in the tariff on textile machinery as is now proposed, and which would destroy the business of the American manufacturers, would probably mean that such of the American manufacturers as have an established business, and particularly such of the manufacturers as have valuable patents, would transfer their business to England and establish factories in that country, and the others would be forced to go out of business altogether.

To move the shops to England would be the ready and natural way of avoiding the difference in labor costs between this country and England in case the duty on textile machinery should be so reduced.

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THE TEXTILE MANUFACTURERS DO NOT DESIRE REDUCTION OF THE DUTY ON TEXTILE MACHINERY.

The most significant fact in this connection, however, is that the textile manufacturers do not ask to have this duty reduced, as will be seen from the tariff memorandum filed with the Ways and Means Committee of the House of Representatives by the American Cotton Manufacturers' Association on July 18, 1911. The textile manufacturers are entirely willing that we should be given such protection as we need and do not dispute the fact that we need every bit of our present duty. They have no desire to mark down their plant values by the amount of any reduction, though slight, and they do not feel that any saving that might be effected by a reduction of this duty would justify them in asking to have any part of our needed protection removed.

Furthermore, the textile manufacturers desire to have a substantial domestic production of textile machinery, and feel that they are far safer with a well established and equipped body of American producers protected sufficiently to enable them to continue in business rather than to be forced to rely on foreign-built machinery, practically entirely, as would be the result should the duty be reduced and the American shops forced either to give up their business or to establish their factories abroad.

DEVELOPMENT OF AMERICAN MACHINERY GREAT ADVANTAGE TO TEXTILE MILLS.

The development of the textile-machinery industry in this country has been a great factor in the rapid growth of the textile business of the United States. The many improvements in textile machines which have originated in the American machine shops, such as, for instance, the development of special looms, have been of immense importance to our textile manufacturers. Most important of all, however, has been the decrease in the price of textile machinery since the entry of the American textile-machinery manufacturers into the market. For example, England formerly sold cards in this country at \$1,200 for each machine or upon very large contracts at \$1,000 for each machine. This was before the competition of the American shops. Now American cards of superior quality are selling at less than one-half of these figures.

This illustration is typical of the decrease in cost in practically all lines of textile machinery since the growth of the American manufacture of textile machinery.

EARNINGS OF THE BUSINESS.

The return upon capital invested in this country in the manufacture of regular textile machinery has averaged, according to our best information, approximately $7\frac{1}{2}$ per cent. It should be borne in mind, however, that as the gross business done in a year averages only about one-half of the capital invested in the plants and working capital, the profit on sales must necessarily be twice as great as the amount earned on the capital. Confusion has sometimes arisen from this fact, and the percentage of profit to business done has been erroneously taken as the net earning rather than the percentage of profit to capital invested. No one can fairly contend that $7\frac{1}{2}$ per cent on capital actually invested is more than a fair return for a carefully managed and long established industrial business. The American shops represent the experience, labor, and savings of generations. From these figures alone it is clear that there is no undue profit in the business.

EFFECT OF PREVIOUS REDUCTION.

Following the Wilson tariff, in which the duty on textile machinery was reduced to 35 per cent, there was an immediate and serious loss of business, and this was followed necessarily by a reduction both in wages paid and the number of men employed. Since that time the American manufacturers have been gradually building up the business, and this has been accompanied by a steady rise in wages in the United States, while the wages in England have increased but slightly. A reduction even to 35 per cent would cripple the business, as did the reduction in the Wilson tariff, and should the present proposed reduction to 25 per cent be made it would be very difficult, if not impossible.

to avoid the extermination of the American manufacturers of textile machinery, unless wages could be reduced to the English level (which we believe impracticable), in which case we would ask for no protection.

SOLELY A QUESTION OF WAGES.

The report of the Ways and Means Committee on the pending bill shows plainly that no loss of revenue is expected. This means that in order to collect the same revenue as before importations must increase by 80 per cent and domestic production correspondingly decrease. Our business, then, is to be reduced from 86½ per cent of the total American business to 40 per cent.

We have shown that this is an industry in which other countries not only can but do compete in spite of the present duty, and manage to do about one-third of the business; that our cost of labor is over twice the English cost, and that therefore the present duty of 45 per cent upon the English cost is not excessive; that the committee that framed the bill count upon increasing importations to equal present revenue, and thereby give to our foreign competitors practically 60 per cent of the entire business; that this means to us shutting down or reducing wages, one or the other; that the benefit to the cotton mills is negligible and not even asked for; that the committee does not estimate any gain in revenue thereby; consequently nothing but harm is to be done, and no possible advantage is urged in return for crippling or ruining a substantial and long-established business.

We ask, therefore, that the rate of duty upon textile machinery in House bill 18642 be increased from the figure named of 25 per cent to the present figure of 45 per cent.

Respectfully submitted.

ROBERT F. HERRICK.

APPENDIX A.

Imports of textile machinery at the port of Boston.

1898-----	\$850, 850	1905-----	\$1, 394, 237
1899-----	1, 277, 135	1906-----	2, 185, 644
1900-----	2, 535, 737	1907-----	2, 113, 528
1901-----	1, 544, 160	1908-----	1, 490, 213
1902-----	1, 753, 530	1909-----	2, 711, 013
1903-----	1, 681, 424	1910-----	3, 711, 381
1904-----	1, 142, 068		

APPENDIX B.

Comparative weekly wages in the engineering trades in United States, England and Wales, Germany, France, and Belgium.

[Compiled from reports of inquiries by the British Board of Trade.]

	United States, ¹ February, 1909.	England and Wales, ¹ October, 1905. ⁵	Germany, ² October, 1905.	France, ³ October, 1905.	Belgium, ⁴ June, 1908.
Fitters.....	\$15. 83-\$31. 25	\$8. 00-\$9. 00	\$6. 50-\$8. 00	\$6. 00-\$7. 20	\$4. 93-\$5. 70
Turners.....	15. 83- 18. 62	8. 00- 9. 00	6. 75- 8. 25	6. 00- 7. 62	5. 12- 6. 08
Smiths.....	16. 91- 21. 33	8. 00- 9. 00	7. 12- 8. 25	6. 23- 7. 93	5. 02- 6. 12
Pattern makers.....	18. 62- 22. 91	8. 50- 9. 50	6. 37- 7. 50	6. 37- 7. 43	4. 89- 6. 00
Laborers.....	9. 37- 10. 93	4. 50- 5. 50	4. 50- 5. 50	3. 89- 4. 79	3. 22- 4. 06
Average.....	16. 89	7. 90	6. 87	6. 35	5. 11

¹ British Board of Trade Report Cd. 5609, 1911.

² British Board of Trade Report Cd. 4032, 1910.

³ British Board of Trade Report Cd. 4512, 1909.

⁴ British Board of Trade Report Cd. 5065, 1910.

⁵ The wages in England in February, 1909, were about 1½ per cent higher than in 1905.

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APPENDIX C.

[C. R. Makepeace & Co., Architects and Mill Engineers, Providence, R. I.]

We estimate the cost a mill of 60,480 spindles, built in New England, for manufacturing standard print cloths, as follows:

Buildings.....	\$287,020.50
Textile machinery—automatic looms.....	652,302.00
Steam plant.....	128,000.00
Supplies (bobbins, belting, etc.).....	39,000.00
Transmission machinery.....	35,000.00
Humidifier system.....	16,000.00
Fire protection.....	19,200.00
Electric lighting.....	7,500.00
Heating.....	3,800.00
Plumbing.....	4,000.00
Incidentals.....	119,182.25
	1,311,004.75

Textile machinery, 50 per cent, equal to \$21.66 per spindle.

Textile machinery per spindle, \$10.78.

If plain looms are used instead of automatic looms deduct \$163,200 from the cost of textile machinery, making the cost with plain looms \$18.97 per spindle.

Below find cost as given us of an English mill of 36,994 spindles with 992 automatic looms, all frame spinning, similar to above:

Buildings, including chimney, sprinklers, heating, lighting, wiring, plumbing, and shafting.....	\$252,100.00
Machinery, including bobbins, belting, cans, reeds, harnesses, and all other small supplies.....	363,750.00
Engines, boilers, pumps, and foundations.....	48,750.00
	664,600.00

Equal to \$17.96 per spindle.

Comparison.

	Per spindle.
American mill, with automatic looms.....	\$21.66
English mill, with automatic looms.....	17.96
Difference.....	3.70

CASTINGS OF IRON.

[Suggested amendment to paragraph 23 of House bill No. 18642 in order to exclude therefrom (as castings) machinery and completed parts thereof, Robert F. Herrick, representing a committee of textile machinery manufacturers.]

Boston, March 1, 1912.

To the COMMITTEE ON FINANCE,

United States Senate, Washington, D. C.

GENTLEMEN: This memorandum is filed by me on behalf of a committee representing the textile-machinery manufacturers of the United States. The matter in question is of importance to all American manufacturers of machinery, and especially to the American manufacturers of textile machinery, as a large part of the total imports of machinery into this country consists of textile machinery. The United States Government also is interested from a revenue standpoint, and the Treasury Department, at the request of your committee, has made a report thereon which accords with our contention in the matter and a copy of which is hereto annexed.

ATTEMPT TO IMPORT FINISHED MACHINE PARTS AS CASTINGS OF IRON.

Importers are to-day attempting to bring in completed foreign-built machinery under a classification as castings of iron at a rate of duty of from 5 per cent to 10 per cent instead of at 45 per cent, the rate laid down for manufactures

of metal. This attempt is being made as a result of certain words which appear for the first time in the Payne tariff bill, and the meaning of which words in this connection is now being contested in the courts. The same words appear in paragraph 23 of House bill No. 18642, and we ask that this paragraph be amended so that its meaning shall be clear and the efforts of the importers to bring in completed machinery as castings of iron shall be defeated.

HISTORY OF DUTY ON CASTINGS OF IRON.

In the Dingley bill the paragraph dealing with castings of iron included only rough castings and fixed a rate of eight-tenths of a cent a pound, which was equivalent to from 5 per cent to 10 per cent ad valorem. All castings of iron on which work had been done subsequent to the casting process were classified as manufactures of metal and held dutiable at the rate of 45 per cent, the castings paragraph being as follows:

Dingley bill (tariff of 1897), Schedule C:

"148. Cast-iron vessels, plates, stove plates, andirons, sadirons, tailors' irons, hatters' irons, and castings of iron, not specially provided for in this act, eight-tenths of one cent per pound."

In the Payne tariff the paragraph dealing with castings of iron was amended so as to include castings on which work had been done subsequent to the casting process, the rate on rough castings remaining at eight-tenths of a cent a pound and the rate on advanced castings being fixed at 1 cent a pound, the paragraph in the Payne tariff being as follows:

Payne bill (tariff of 1909), Schedule C:

"147. Cast-iron andirons, plates, stove plates, sadirons, tailor's irons, hatter's irons, and castings and vessels wholly of cast iron, eight-tenths of one cent per pound. All castings of iron or cast-iron plates which have been chiseled, drilled, machined, or otherwise advanced in condition by processes or operations subsequent to the casting process but not made up into articles, shall pay two-tenths of one cent per pound more than the rate imposed upon the castings of iron and cast-iron plates hereinbefore provided for."

EFFECT OF THIS AMENDMENT.

The effect of this amendment in the Payne bill was clearly to let in partly finished castings at 1 cent a pound. These casting had previously been assessed as manufactures of metal at 45 per cent. The importers, however, contended that this amendment went even further and included all castings of iron in whatever condition, even though wholly finished, if they were not complete and usable in themselves. Accordingly, since the passage of the Payne tariff bill, importers of machinery, and particularly importers of textile machinery, have entered as "castings of iron advanced in condition but not made up into articles" at the rate of 1 cent a pound, both repair parts of machines and parts of machines finished and ready to be assembled with other parts into the complete machine.

The Treasury Department report states the situation as follows: "It is true that several importers have taken advantage of this provision of the Payne law to import parts of machinery in the 'knock-down' and by separate vessels, claiming the 1 cent per pound rate. This has resulted in a great deal of litigation which is still pending."

WHOLLY A QUESTION OF MEANING OF WORD "ARTICLES."

The right of the importers to enter machine parts as castings of iron depends solely on the meaning of the word "articles." If, as the importers contend, the word "articles" in this paragraph means only a thing complete and usable in itself, then parts of machinery, although wholly finished and ready to be assembled with other parts into the complete machine, are castings of iron advanced in process and not excluded from the castings paragraph. The result of such an interpretation of the amendment in the Payne bill is that a machine assembled will pay the 45 per cent rate, but if the parts are imported by different steamers it need only pay 1 cent a pound, or, say, from 5 per cent to 10 per cent. It is probably true that, if all the parts of a machine are imported by the same steamer, these parts are constructively a machine, although not assembled or set up. It is a simple matter, however, to import the parts by different steamers. In fact this is quite commonly done to-day, and with the incentive of the reduced duty the practice would be universal.

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ARE FINISHED PARTS OF MACHINES ARTICLES?

The Government, however, continues to classify these finished parts as manufactures of metal at the 45 per cent rate of duty, contending that finished parts of machines, when all the work on them has been done, and they have only to be assembled to constitute the complete machine, are articles and therefore excluded from the castings paragraph as "made up into articles." In other words, the contention of the Government is that the amendment to the castings paragraph added by the Payne bill was intended to cover, and does cover, only partly finished castings at a rate of duty slightly greater than the rate on rough castings in order to cover the additional labor and was not intended to and does not cover repair parts and completely finished parts of machines ready to be assembled, nor does it remove such parts from the classification as manufactures of metal at a 45 per cent rate of duty to a classification as castings advanced in process at a rate of 1 cent a pound, equivalent to only 5 per cent or 10 per cent ad valorem, thereby establishing a 45 per cent rate for a machine and a 10 per cent rate for its separate parts.

IMPORTERS HAVE PROTESTED GOVERNMENT CLASSIFICATION.

The importers have protested against the Government classification, and a large number of these protests, involving hundreds of parts of machines, are now pending before the Board of General Appraisers. No protests have as yet reached the Customs Court, and a considerable time must elapse before there can be any decision of that court definitely determining the meaning of these words.

The importers admit, and it is evident from the protests already filed that, if their contention is successful, the result will be that practically all textile machinery will come in as castings at the 1-cent-a-pound rate (5 to 10 per cent) instead of at 45 per cent.

SAME AMBIGUOUS WORDS USED IN HOUSE BILL NO. 18642.

In House bill No. 18642, to amend the metal schedule, the rate of duty on all castings has been changed to 10 per cent ad valorem, but the same words, "but not made up into articles," have been retained. The castings paragraph is as follows:

House bill No. 18642:

"23. Cast-iron pipe of every description, cast-iron andirons, plates, stove plates, sadirons, tailor's irons, hatter's irons, and castings and vessels wholly of cast iron, including all casting of iron or cast-iron plates which have been chiseled, drilled, machined, or otherwise advanced in condition by processes or operations subsequent to the casting process but not made up into articles: castings of malleable iron not specially provided for in this act or in the first section of the act cited for amendment: cast hollow ware, coated, glazed, or tinned, ten per centum ad valorem."

The rate of duty on manufactures of metal, including textile machinery, has been reduced by paragraph 66 of this bill from 45 per cent to 25 per cent. We have protested elsewhere against this reduction. Should the present wording of the castings paragraph be retained and the importers be successful in their contention in the courts as to the meaning of the word "articles," it would be in effect a reduction in the duty of 10 per cent.

CONTENTION OF IMPORTERS NOT CONTEMPLATED BY FRAMERS OF BILL.

Such was not the intention of the framers of the Payne tariff nor of the framers of House bill No. 18642. The words "but not made up into articles" were intended to exclude complete machines from the castings paragraph, and likewise finished and repair parts of machines. Textile machinery is dutiable at 45 per cent in the Payne bill, and at 25 per cent in House bill No. 18642. It was not intended that an importer should be allowed, by taking apart a machine, to bring it in at 10 per cent instead of 45 per cent or 25 per cent. The intention of the committee that finished parts of machines should not be included in the castings paragraph is clearly shown by the estimate of imports in the report accompanying the House bill. The imports of textile machinery alone in 1910 were over \$6,500,000.¹ In 1911 the imports were fully \$6,000,000.

¹ See my brief on "Textile machinery" filed with this committee.

These are classified in the report under paragraph 66, and included in the item of "Machines and machinery." The report states that the imports of castings in 1911 were \$65,361. It is estimated by the committee that the imports of castings will increase to \$100,000 under House bill 18642. Had the committee intended to include machine parts as castings, in accordance with the contention of the importers, the estimate of imports of castings under House bill 18642 would have included substantially all of the \$6,000,000 of textile machinery, and, furthermore, allowance would have to be made for a substantial increase in importations, due to the reduction in the rate of duty to 10 per cent caused by the change in classification. At least \$10,000,000 would therefore have probably been the figure used by the committee rather than \$100,000 had its intention been to include parts of machines as castings.

MATTER OF GREAT IMPORTANCE TO AMERICAN MANUFACTURERS.

The importance of some proper amendment to this paragraph in order to clearly cover the point in question and defeat the attempts of the importers to bring in completed machinery as castings at a 10 per cent rate can not be exaggerated. Should the importers be successful in their contention that the word "articles" means a complete and usable thing, and that parts of such complete and usable things are still castings advanced in process, though completely finished in themselves, it would absolutely mean a reduction in the duty on textile machinery to 10 per cent. Foreign machinery is to-day to a large extent boxed for shipment in separate parts and on different steamers, and it would be perfectly simple for the importers to have all machinery so shipped. The importers themselves admit that such would be the result of a decision in their favor. Such a reduction in the duty would inevitably and directly result in the entire extinction of the American manufacturers of textile machinery, and would give the entire business to the foreign manufacturers. The brief filed with the committee on the subject of the duty on textile machinery shows that this industry represents an investment of about \$50,000,000, with an annual output of from \$20,000,000 upwards, and employs from 12,000 to 20,000 workmen.

In addition to the elimination of the American manufacturers it would mean a decided loss in revenue to the United States.

It is manifest that House bill No. 18642 was drafted without paying any attention to, and very likely with no knowledge of, the pending litigation with reference to the words "but not made up into articles," and no attempt was made to change these words so that they would clearly exclude repair and finished machine parts from the castings paragraph, and thereby do away with any further litigation, though it was obviously not intended by the committee that such machine parts should be included as castings.

BILL SHOULD BE AMENDED IN ORDER TO ELIMINATE AMBIGUITY.

For the above reasons, in order to more certainly carry out the intention of the framers of this bill, to eliminate the present uncertainty, to give to the American manufacturers the protection to which they are entitled, and to give to the Government the revenue that is intended, we ask that paragraph 23 of House bill No. 18642 be amended so that finished and repair parts of machines shall be clearly excluded therefrom.

SUGGESTED AMENDMENT.

We urge that the said paragraph 23 be amended as suggested by the Treasury Department in its report to the committee, a copy of which is hereto annexed, by adding in the seventh line thereof, as it appears upon page 9 of the bill as printed, after the words "not made up into articles," the words "and not parts of machines in any form ready for assembling," so that said paragraph 23 as amended shall read:

"23. Cast-iron pipe of every description, cast-iron andirons, plates, stove plates, sadirons, tailor's irons, hatter's irons, and castings, and vessels wholly of cast iron, including all castings of iron or cast-iron plates which have been chiseled, drilled, machined, or otherwise advanced in condition by processes or operations subsequent to the casting process but not made up into articles and not parts of machines in any form ready for assembling; castings of malleable

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iron not specially provided for in this act or in the first section of the act cited for amendment; cast hollow ware, coated, glazed, or tinned, 10 per cent ad valorem."

Very respectfully,

ROBERT F. HERRICK,
For Committee of Textile Machinery Manufacturers.

TREASURY DEPARTMENT,
Washington, February 24, 1912.

HON. BOIES PENROSE,
United States Senate.

MY DEAR SENATOR: I am in receipt of your letter of the 7th instant, transmitting a communication from Senator Lodge in which he states that, as he is hearing constantly that under the present tariff act completed machinery is being imported into this country in separate parts as "castings," he is anxious to receive from the department a suggestion as to the adoption of phraseology in the metal schedule of the pending bill which will prevent machinery from being imported in the knockdown for the purpose of passing the same through the customs at lower rates of duty.

Under the Dingley law iron castings which had been chiseled, drilled, machined, etc., were excluded from paragraph 148, providing for articles of cast-iron at eight-tenths of 1 cent per pound, and were held to be dutiable under paragraph 193 of that act at 45 per cent ad valorem. (See decisions of the Board of United States General Appraisers; T. D. 24604, T. D. 26478, and T. D. 28276; and decisions of the court, T. D. 28051 and T. D. 28055.)

Apparently in order to reduce this rate upon these articles the proviso was inserted in the Payne law assessing two-tenths of 1 cent per pound (in addition to the eight-tenths of 1 cent on plain castings) upon castings which had been chiseled, etc. This, of course, left the rate upon these articles considerably lower than it had been under the Dingley law.

It is true that several importers have taken advantage of this proviso of the Payne law to import parts of machinery in the "knockdown" and by separate vessels claiming the 1 cent per pound rate. This has resulted in a great deal of litigation which is still pending. I inclose herewith a copy of a recent decision of the United States Court of Customs Appeals (T. D. 32227), which, while it has some bearing upon the questions involved, is not by any means conclusive.

If it is desired to increase the rate of duty upon completed machinery only, it is possible that the phrase "but not made up into articles" in paragraph 23 of H. R. 18642, the proposed substitute for Schedule C of the Payne law, which recently passed the House of Representatives, will have this effect. However, to make certain of this result I would suggest that after the word "articles" in the said paragraph there be inserted the words "and not parts of machines in any form ready for assembling."

Very truly, yours.

J. CURTIS,
Assistant Secretary.

**STATEMENT OF MR. EDWIN M. HERR, OF PITTSBURGH, PA.,
PRESIDENT OF THE WESTINGHOUSE ELECTRIC & MANUFACTURING CO., OF PITTSBURGH.**

Mr. HERR. Mr. Chairman and Senators, I represent the Westinghouse Electric & Manufacturing Co. and its allied companies and also the Westinghouse Machine Co., builders of steam engines, steam turbines, and gas engines.

The electrical-machinery business has grown in this country at an almost unprecedented rate, and now includes a great many thousand workmen. The company I represent employs from eighteen to twenty thousand men, and there are employed altogether in the electrical industries, I should say, between 75,000 and 100,000 men.

Senator GALLINGER. Largely skilled workmen?

Mr. HERR. Very largely skilled workmen. The business is a peculiar one in the fact that it has developed and is developing so rapidly that it puts a very heavy burden upon the larger companies on account of the rapid changes that must be made and the extremely difficult technical work that has to be done in making these developments. There is an extreme competition in the country, and our labor costs have gradually been increased during the last eight years. That is, the price of labor is gradually increasing in our industry.

The company I represent has a total capitalization, including stock and debt, of about \$70,000,000.

Senator HEYBURN. What is the name of that company?

Mr. HERR. The Westinghouse Electric & Manufacturing Co.

Senator HEYBURN. I wanted to get the full technical name of the company in the record, so that we would know.

The CHAIRMAN. What is your position in that company, Mr. Herr?

Mr. HERR. I am the president of the company.

The CHAIRMAN. I want to get that in the record also.

Senator HEYBURN. Are you connected in any way with the General Electric Co.?

Mr. HERR. No; I am not. There is a representative of the General Electric Co. here to-day to testify.

Senator HEYBURN. Is your company in any way identified with it?

Mr. HERR. In no way.

The CHAIRMAN. You may go on, Mr. Herr.

Mr. HERR. I wish to bring out the fact that, on account of the highly technical nature of the business and the high degree of skill and large amount of labor we have to employ, we would be at a very great disadvantage in foreign competition with any reduction of the present duties. I have very close contact with labor conditions in different countries in Europe, as our company is interested in a number of foreign companies in England, in France, in Italy, in Austria, and in Russia. In England the rates for such labor as we employ are just about one-half of what we have to pay here. In France they are still less, and in Germany they are less than in France. In Germany the rates do not exceed an average of 40 per cent of what we pay here, if, indeed, they are that high. In many kinds of skilled labor they are not even 40 per cent. It is therefore easy to see how important a matter a reduction of the tariff would be in our industry, where so large an amount of skilled labor is employed, with so great a difference in the price of it.

The amount of labor in our product varies very considerably, but will average very close to 50 per cent. That is, 50 per cent of the cost, on the average, is due to labor.

We export a very small proportion of our product. It does not exceed about a million and three-quarters of dollars in a product of about \$38,000,000; and the portion exported is of a class of product with which the foreigners can not compete. The bulk of our product we find almost no opportunity to export.

Senator WILLIAMS. You say "almost no opportunity." Do you find any?

Mr. HERR. Yes; we occasionally export some of it in special situations, where the character of our apparatus is specified or is known to the consumer. The trade here requires a higher grade of electrical machinery than is required in the European market; and where that

condition is known to our patrons in foreign countries, especially in Mexico and in South America, we do some export business.

The CHAIRMAN. Is that all you have to say?

Mr. HERR. I wish to state further, in regard to the earnings in our business, that it might interest the committee to know that the company I represent emerged from financial difficulties in 1908-9, and since then has been unable to pay any dividends upon its common stock. We have succeeded in paying a dividend on our preferred stock, but thus far none on the common stock.

Senator GALLINGER. What dividend do you pay on the preferred stock?

Mr. HERR. Seven per cent dividend on the preferred stock. Our stock is divided into two classes. There is a total of practically \$40,000,000, only \$4,000,000 of it preferred and \$36,000,000 common.

Senator WILLIAMS. Was this stock all bought and paid for in money?

Mr. HERR. It was; in money or its equivalent.

Senator WILLIAMS. What do you mean by "its equivalent?"

Mr. HERR. In property. There might have been some property that was included.

Senator WILLIAMS. Was the company made up out of lesser companies when it started?

Mr. HERR. No; it was not. It has acquired some companies in branches of business in which it was not engaged, in order to enlarge the scope of its business.

Senator WILLIAMS. Were these acquisitions paid for in stock or in money?

Mr. HERR. They were paid for, so far as I know, in money or in taking up their securities—that is, taking their bonds and guaranteeing them.

Senator WILLIAMS. Were none of them paid for in stock?

Mr. HERR. Not to my knowledge.

Senator WILLIAMS. Have you increased your stock since you were chartered?

Mr. HERR. Yes.

Senator WILLIAMS. How much?

Mr. HERR. That I can not tell you either, Senator; I do not know how much. The last increase in our stock was made at the time of a bond issue of \$15,000,000; and at that time there was a \$20,000,000 increase in the stock authorized, but not all issued.

Senator WILLIAMS. Was that additional stock paid for in money?

Mr. HERR. No; all of that stock was paid for in money that was issued; and not only paid for—

Senator WILLIAMS. How do you mean that all of it was paid for in money that was issued?

Mr. HERR. I mean when the increase in stock of \$20,000,000 was authorized; it was not all issued; and what was issued was paid for in money, and commanded a premium at that time.

Senator WILLIAMS. This stock commanded a premium in a business that was paying only 7 per cent upon preferred stock of \$4,000,000 and nothing on common stock of \$36,000,000?

Mr. HERR. No; I did not say that. At the time this stock was issued, a number of years ago, the company was paying 10 per cent on its common stock.

Senator WILLIAMS. Ah! That was 10 years ago?

Mr. HERR. Not quite 10 years ago. That was in 1906.

Senator WILLIAMS. What did you pay in 1907?

Mr. HERR. It went into the hands of receivers in 1907.

Senator WILLIAMS. That was in the panic?

Mr. HERR. Yes, sir.

Senator WILLIAMS. What did it pay in 1905?

Mr. HERR. Ten per cent.

Senator WILLIAMS. What did it pay in 1904?

Mr. HERR. I am not certain of that. I only came with the company in 1905, and they increased their rate at some time from 7 to 10 per cent; I do not know just what year.

Senator WILLIAMS. How was it that the company was caught by the panic? Because it had outstanding obligations?

Mr. HERR. It had too far extended its obligations, and was unable to meet them.

Senator WILLIAMS. As a matter of fact, in your judgment, did its going into the hands of a receiver result from carelessness or over-venturesome administration, or did it result from the fact that the character of the business itself was unprofitable? Which was it?

Mr. HERR. In my judgment it was due to the fact that they were rather too liberal in paying dividends, and in addition extended themselves a little too far.

Senator WILLIAMS. It was a case of a bit of overstretching, too; was it not?

Mr. HERR. Yes.

Senator WILLIAMS. That might happen to anybody; might it not?

Mr. HERR. It might.

Senator WILLIAMS. It is apt to happen at panic times, if anybody gets to stretching out too far; is it not?

Mr. HERR. It required a great deal of new capital to again get the company on its feet.

I want to say that the competition in the electrical business has been increasingly more keen. In the early days the prices were very much better than they are now, and the profits were correspondingly greater. The margin of profit is being gradually trimmed down by the keen domestic competition, until the result is as I have stated.

Senator WILLIAMS. A word or two upon that subject. This is a new business, is it not? The whole science is comparatively new, is it not?

Mr. HERR. If you call a business new that has developed within the last 20 or 25 years, yes.

Senator WILLIAMS. It has just been created within the last quarter of a century, practically, has it not?

Mr. HERR. Yes; it has.

Senator WILLIAMS. Whenever any new business of any sort is created, as a result of great new discoveries and new inventions of any description, its uniform economic history is that the machinery grows cheaper and cheaper from year to year, does it not? That is a normal thing, and a thing to be expected?

Mr. HERR. It is.

Senator WILLIAMS. Do you think the United States Government ought to try to counteract that normal evolution by attempting to fix tariffs so high as to encourage keeping up prices to where they were when the new thing just started?

Mr. HERR. We do not ask that, Senator. All we ask is that the tariff protection shall not be cut down to a point where the reasonable and ordinary profits of a manufacturing business can not be made.

Senator WILLIAMS. Let us get at it in another way, then. The price of these things has been falling in the American market because of cheapened cost of production, new inventions, and learning better how to do the work. Is not that about the case?

Mr. HERR. That is the case, if you will add to that also a decreasing margin of profit to the manufacturer.

Senator WILLIAMS. Yes; growing out of the fact that more and more people go into the business as they learn it. That same process has been taking place abroad, has it not, in all countries that have gone into this business?

Mr. HERR. Very likely; yes, sir. I think so.

Senator WILLIAMS. What I am getting at is this: This does not come out of any depression, except the depression, if you may call it such, that arises from greater competition as the result of more and more people going into a new business, and the decrease in cost of production in connection with business, owing to new methods that are yearly discovered. In other words, your industry is not in any depressed condition, owing to any condition in the United States, is it?

Mr. HERR. Yes, sir; to-day it is.

Senator WILLIAMS. What is that condition to which you refer?

Mr. HERR. To-day the demand for our product is considerably restricted, owing to less activity throughout the country in general. We are in a decidedly depressed condition to-day.

Senator WILLIAMS. Your business is making what?

Mr. HERR. Electrical machinery.

Senator WILLIAMS. That is what I thought. Do you mean that the demand for electrical machinery is falling off?

Mr. HERR. It has fallen off in the last year or two; yes, sir.

Senator WILLIAMS. That is astonishing to me. New electrical things are being invented every day; electricity is being put to more and more purposes every night; and still you say the demand for electrical machinery is falling off?

Mr. HERR. That is simply a local condition, we believe, that will entirely correct itself.

Senator WILLIAMS. When you say "local," do you mean local to the American market?

Mr. HERR. Local to the American market; yes.

Senator WILLIAMS. This is the most advanced country in the world in the progress of electrical uses, is it not?

Mr. HERR. It is; but we are in a time, Senator, when the investing of new capital in enterprises is not very active, and that is what gives the electrical machinery people a large part of their business. There are very few people who are building new power plants and going into new developments of that sort at the present time; and that has materially affected our business now. I am not speaking of that, however, because I think time will correct that. That is a condition that any industry is apt to get into. But I am speaking of the gradual and constant rise in labor, and the fact that we are cheapening our product by local interior competition here without letting

in the cheaper labor conditions of the foreign electrical manufacturers in competition with us, which will inevitably result if there is a material reduction in the present tariff.

Senator WILLIAMS. In other words, your competition will inevitably grow sharper and sharper, both at home and from abroad, will it not?

Mr. HERR. It will.

Senator WILLIAMS. That is true with all things that depend upon new inventions and new discoveries.

Senator HEYBURN. The foreign producer displaces your sales in the market, does he, and sells directly to your customers?

Mr. HERR. He does not, largely, under the present conditions.

Senator HEYBURN. But he would under a reduced tariff?

Mr. HERR. He certainly would; yes, sir.

Senator HEYBURN. And you would have to hunt a new market for your manufactured product?

Mr. HERR. We would have no market to hunt, Senator, because we are now in all the markets which would possibly be open to us under those conditions.

Senator HEYBURN. Then you would either have to stimulate the use of the machinery that you produce, or else, as you say, reduce your production, or reduce your wage scale?

Mr. HERR. Yes. There is only one thing to do that I can see: Either accept less profits, which are already absolutely inadequate for a business of the high degree of technicality of the electrical business, and the enormous risks we have to take in guaranteeing our product, or reduce the price of labor.

Senator HEYBURN. Are there any electrical machinery plants starting up in South American countries, such as Argentina?

Mr. HERR. I know of none. There may be, but I have not any evidence of that.

Senator HEYBURN. I got an impression, from reading Mr. Barrett's report, that there was some such move in Argentina.

Mr. HERR. Undoubtedly there will be. That country is developing very rapidly.

Senator WILLIAMS. What are our importations of electrical machinery? Do you know?

Mr. HERR. The importations into this country? No; I have no data on that point.

Senator HEYBURN. Have they increased within the last few years?

Mr. HERR. I have not any knowledge that they have materially increased. I do not think they have.

Senator WILLIAMS. Do you know whether they equal or exceed or are less than our exportations?

Mr. HERR. No; I can not answer that.

Senator HEYBURN. I suppose the business is not 10 years old as a well-established business, is it?

Mr. HERR. About that, or perhaps a little more. It depends upon what you mean by a "well-established business."

Senator HEYBURN. I mean past the experimental stage.

Mr. HERR. It is hardly that yet. In many departments of our product we are continually developing, and are under a very heavy expense in our continual research.

Senator HEYBURN. I should like to get a little closer to what you mean by electrical machinery. Do you mean any machinery that depends upon electricity for power?

Mr. HERR. Any machinery that depends upon electricity for power or that itself generates electricity. In addition to that, our company is engaged in making all the apparatus that is used in controlling the machinery that is used in generating or in being moved by the electric current, and the use of electric current, including electric lamps.

Senator HEYBURN. You make electric batteries, do you?

Mr. HERR. No; we make no batteries. That is a different product.

Senator HEYBURN. That is an entirely different business?

Mr. HERR. Yes, sir.

Senator WILLIAMS. You do make electric lamps?

Mr. HERR. Yes.

Senator HEYBURN. You come under the machinery clause, then?

Senator SIMMONS. What is that clause—No. 66?

Mr. HERR. I believe it is section 66.

The CHAIRMAN. Have you anything further to state to the committee?

Mr. HERR. I want to say one thing more in connection with the steam turbine business. That business has fully as great a labor cost in proportion to its total cost as the electrical business.

Senator WILLIAMS. What business?

Mr. HERR. The steam turbine business. Steam turbines are used largely in driving electrical generators, in which the Westinghouse Machine Co. is especially interested. Our company does not make those. The same principles in avoiding a reduction of duty that should control in the electrical business apply to the steam engine business, so far as the driving of electrical machinery is concerned—the steam engines used for that purpose.

There is one other word I wish to say, and that is about the experience in Canada. We have a company in Canada that is working under a protective duty of 27½ per cent on electrical machinery against Germany and all other countries except England; and it is finding a very severe competitor from the Germans, the Swedish, the French, and other importers of electrical machinery, and especially so, of course, from the English, where there is a preferential duty, I believe, of 15 per cent.

The CHAIRMAN. Have you establishments in any other foreign countries, Mr. Herr?

Mr. HERR. I have already stated that we have them in England, in France, in Italy, in Austria, and in Russia.

Senator SIMMONS. You have plants there?

Mr. HERR. Yes, sir. They are not absolutely owned by our company, but we are interested in them. We have an interest in those plants.

Senator SIMMONS. Do you import into this country any of the machinery that you make over there?

Mr. HERR. We do not.

Senator McCUMBER. Do you have a controlling interest in those plants?

Mr. HERR. In many of them; yes, sir.

Senator McCUMBER. Are there any of them in which you do not have a controlling interest?

Mr. HERR. In fact, we have in all that I have mentioned; yes, sir.

The CHAIRMAN. If the conditions became such, by reason of tariff legislation, that you could not continue to pay the high wages prevailing in this country you would probably transfer some of your business to these foreign plants, would you?

Mr. HERR. That might be inevitable, or a reduction of wages here would probably be an easier thing to do, because it is very difficult, gentlemen, to train men to produce in some foreign country the kind of things that are needed in this country, just as it is difficult for us to produce in this country things that are needed there.

Senator GALLINGER. Do you think it would be an easy matter to reduce wages here?

Mr. HERR. I do not. I think it would be a very difficult thing.

Senator GALLINGER. I thought you said it would be an easier thing than the other. I apprehend it would be one of the most difficult things you could do.

Mr. HERR. I agree with you, Senator.

Senator SIMMONS. You said a little while ago, I think, that you are exporting a very small percentage of your output. Have you been troubled, up to this time, by any large importations?

Mr. HERR. Not into this country: no, sir. The importations of electrical machinery in this country are not large at the present date. I am unable to state just what they are, however.

Senator SIMMONS. But your company is so situated, by reason of its foreign plants, where labor is very cheap, that you could sell in this market the product of those countries?

Mr. HERR. We might; yes, sir.

Senator SIMMONS. And you could make a profit?

Mr. HERR. Under certain conditions.

Senator SIMMONS. What you really want is a higher price in the American market for your American factories, is it not?

Mr. HERR. The American factories would have to suffer.

Senator SIMMONS. You could supply the American market from your foreign factories, but you want a higher price in the American market for your American factories?

Mr. HERR. We should have it to get an adequate return, commensurate with the risks of the business.

Senator GALLINGER. If you were driven by a reduction in the duties to abandon your factories here, then you probably would supply the American demand from your foreign factories?

Mr. HERR. We will be compelled to, or to go out of business.

Senator GALLINGER. You would wipe out your plants here and the labor here by that process, would you not?

Mr. HERR. That would be the inevitable result; yes, sir.

Senator WILLIAMS. If that would be the result—if you are still going to keep in the business of manufacturing abroad, and supply the market there and supply the American market to boot—you are appearing here in a purely altruistic spirit.

Mr. HERR. Not at all. We have far larger interests in our American plants than we have in foreign plants, very much larger.

Senator WILLIAMS. As a matter of fact, if you thought you could keep the whole business simply by manufacturing things abroad, you could not be worrying yourself, would you?

Mr. HERR. We would be worrying ourselves a good deal, because we do not own all of those plants abroad. We do own all of these here.

Senator WILLIAMS. Ah! So you think it would be better to have a monopoly of the American market, and then have to boot whatever you could make abroad?

Senator SIMMONS. You do not mean to say that you can control the whole American market, do you?

Mr. HERR. Not by any means; no. We are by no means even the largest producer.

Senator WILLIAMS. I do not mean that your particular company would have a monopoly of the American market; but I mean the American manufacturers of this machinery would have it, and then in addition to that, whatever you can make abroad.

The CHAIRMAN. What other manufacturers of this machinery are there in this country, Mr. Herr?

Mr. HERR. There are a great many, Senator. I have not the data to tell you just how many there are, but I have seen statistics that indicate that there are between 750 and 800 manufacturers of electrical machinery.

The CHAIRMAN. Scattered all over the country?

Mr. HERR. Scattered all over the country.

Senator SIMMONS. But your company and the General Electric Co. practically control the market, do you not?

Mr. HERR. No; we do not. There are other companies that are very keen competitors of ours and that practically duplicate our product, but not entirely. There is no company that entirely does.

Senator SIMMONS. What percentage of the total American output do your company and the General Electric Co. make?

Mr. HERR. I think more than half—the two companies.

Senator SIMMONS. The General Electric Co. itself produces nearly half, does it not?

Mr. HERR. Yes; nearly half.

Senator SIMMONS. Then you produce how much?

Mr. HERR. About a quarter, perhaps.

Senator SIMMONS. A total of about three-fourths?

Mr. HERR. No; I do not think the General Electric Co. alone produce half.

Senator SIMMONS. It is very nearly half, is it not?

Mr. HERR. I do not believe it is.

Senator SIMMONS. It is my understanding that they produce fully one-half.

Mr. HERR. It is not so very far from that. I think there is about \$150,000,000 worth of electrical machinery produced in the country and the General Electric Co. produce nearly \$70,000,000 worth.

Senator SIMMONS. The two of you produce about three-fourths of the total output?

Mr. HERR. Something like that; something in that ratio.

Senator SIMMONS. There is no cutting of prices between you and the General Electric Co., is there?

Mr. HERR. I am sorry to say there is a great deal. There is very keen competition between the Westinghouse Electric Co. and the General Electric Co.

Senator SIMMONS. There are two kinds of competition. There is a competition that simply goes after customers and a competition that cuts prices. Do you mean to say that you and the General Electric Co. are engaged in a price-cutting competition?

Mr. HERR. Yes, sir; decidedly.

Senator SIMMONS. Has that resulted in any great diminution of prices in this country?

Mr. HERR. It has.

Senator SIMMONS. What is the percentage of the fall in price in the last five years?

Mr. HERR. I am unable to state that. I have not that data with me. I can readily determine that. It has been very considerable, however. We are selling our product to-day very much cheaper than we did five years ago.

Senator SIMMONS. The general trend of prices of machinery has been downward all over the world, has it not?

Mr. HERR. Not to the extent that electrical machinery has decreased in selling price.

Senator SIMMONS. The electrical machinery is a new type of machinery, and it has now reached the stage of perfection in its production that brings about a decline, and probably that decline will be a little greater?

Mr. HERR. Not the part I am speaking of. Take street-railway motors, for instance: They reached their full development a good deal more than five years ago, and yet they are being sold to-day very decidedly cheaper than they were five years ago.

Senator SIMMONS. What I want to get your statement about is this: Is the decline in price that you speak of a result of competition?

Mr. HERR. It is absolutely the result of competition, Senator.

Senator SIMMONS. And nothing else?

Mr. HERR. And nothing else. We are selling a better product to-day in railway motors than we were five years ago for less money.

Senator WILLIAMS. You are selling it for less money now than you were five years ago?

Mr. HERR. Yes, sir; and it is a better product. It is a higher quality of product. It costs us more to make. That is the result of the very keen competition that is going on in the electrical business.

The CHAIRMAN. Have you anything further?

Mr. HERR. No, sir; I have nothing further.

STATEMENT OF MR. FRANCIS C. PRATT, OF SCHENECTADY, N. Y., ON BEHALF OF THE GENERAL ELECTRIC CO.

The CHAIRMAN. Where do you live, Mr. Pratt?

Mr. PRATT. In Schenectady, N. Y.

The CHAIRMAN. Will you proceed with your statement to the committee?

Mr. PRATT. This subject has been covered so carefully and in a measure so thoroughly by the statements of Mr. Herr and by the interrogations which have been addressed to him that there is relatively little or nothing new for me to state. I shall be very glad to confirm, in a general way, or specifically as far as possible, any point which any of you gentlemen would like to inquire about. The conditions are, as has been brought out, that there is relatively little importation of electrical machinery from foreign countries into the

United States at the present time, though there is some, and I should think the tendency for a slightly increasing amount was obvious.

Senator WILLIAMS. Did it increase in 1911 from 1910?

Mr. PRATT. My impression is, Senator, that it did. I am speaking more of specific pieces of apparatus than of quantity.

Senator WILLIAMS. Did it increase from 1909 to 1910?

Mr. PRATT. In quantity or values, I can not tell you. I have no figures before me.

Senator WILLIAMS. That is what I was driving at.

Mr. PRATT. I am speaking of isolated transactions.

Senator WILLIAMS. You say there is a tendency to increase, but you do not know whether there is an increase or not; you have not the figures?

Mr. PRATT. I have not the figures. I am speaking of isolated transactions in particular kinds of apparatus.

Senator LODGE. How many men do you employ?

Mr. PRATT. We employ in the vicinity of 35,000 people.

Senator LODGE. How are they distributed?

Mr. PRATT. There are between thirteen and fifteen thousand, according to conditions, at Schenectady; and they have run up even as high as 16,000 and over. There are now between eight and nine thousand at Lynn. There are over 4,000 at Pittsfield. The two latter plants are in Massachusetts. In our lamp works there are over 4,000—up to 7,000, all told. Then, there is a varying number in other isolated plants, making a total, I should think, to-day of approximately 35,000, which will vary upward or downward.

Senator GALLINGER. Are those largely skilled workmen?

Mr. PRATT. To a very large extent; in many cases highly skilled workmen.

Senator GALLINGER. How about the wages you pay? Has the wage rate increased of late years?

Mr. PRATT. The wage rate is continually increasing. It is very obviously high compared with all foreign countries. The exact comparison with our British factory is at least 100 per cent higher, taking as a basis of comparison our average for January, 1912. We have a very complete means of comparing costs of production in foreign countries and in this country. It is always a very difficult thing to determine, because variations in design make exact comparisons extremely difficult. But it is not confined to wages alone. Materials in many cases are cheaper. For instance, I compared the cost of the pig iron at our British factory last summer with our cost in Schenectady, and we are actually purchasing pig iron delivered there at about 25 per cent less than we are paying in Schenectady.

Senator HEYBURN. Did you say at your factory in England?

Mr. PRATT. We have a factory at Rugby, England, in which we own a controlling interest.

Senator HEYBURN. Have you other factories abroad?

Mr. PRATT. We have a factory in which we have a controlling interest in Tokyo, Japan.

Senator HEYBURN. Any others?

Mr. PRATT. I believe there are no others in which we have a controlling interest or any interest.

Senator HEYBURN. Are there others in which you are interested?

Mr. PRATT. Only through affiliations dating back to prior time when we did have a financial interest. We used to have an interest

in a factory in France which has been disposed of—totally sold out. We own, I believe, not one dollar of stock or one bond in that factory.

Mr. HEYBURN. Where else are you interested?

Mr. PRATT. We used to own a factory in Canada, but that has been sold out. We do not own one share or one bond in that factory.

Senator HEYBURN. How recently has that been sold out?

Mr. PRATT. In 1893, I believe.

Senator HEYBURN. Have you any others in England or Scotland or Germany?

Mr. PRATT. None. We used to have an interest in a factory in Germany, but that has been sold out.

Senator HEYBURN. Your only remaining large interest is in England?

Mr. PRATT. In England.

Senator HEYBURN. How large is that?

Mr. PRATT. That factory is employing, say, 3,500 or 4,000 people.

Senator HEYBURN. Has it an equivalent output as compared with your American factory?

Mr. PRATT. It compares favorably.

Senator HEYBURN. How does it compare in the value of the output of an equivalent 4,000 workmen in this country?

Mr. PRATT. That is a difficult thing to say, extremely difficult, because their production is not commensurate with ours. We can manufacture in very large quantities, owing to our larger market. They are handicapped, Senator—I should like to make this very clear—by having to make practically as broad a line of apparatus and supplies in that little factory, because relatively it is a little factory, as we have to make in our works here. In other words, they are trying to do with, say, 3,500 people what we are trying to do with 35,000. Consequently their production is what we call very small. That means it is essentially more expensive.

Senator HEYBURN. What other large manufacturers than your own are there in England?

Mr. PRATT. There are many.

Senator HEYBURN. Which is the largest one?

Mr. PRATT. My impression is that the British Westinghouse Co. is the largest.

Senator HEYBURN. How does that compare with yours in size?

Mr. PRATT. It is much larger.

Senator HEYBURN. Much larger than your largest American factory?

Mr. PRATT. Oh, no; their British factory at Manchester is much larger than ours at Rugby.

Senator HEYBURN. How does it compare with your American business?

Mr. PRATT. Mr. Herr could tell you more about the size of their British factory than I could.

Senator HEYBURN. You can give us a general idea as to whether it is larger or otherwise.

Mr. PRATT. My impression is that they are employing somewhere in the neighborhood of 8,000 people at Manchester.

Senator HEYBURN. Is that the largest English factory?

Mr. PRATT. My impression is that it is.

Senator HEYBURN. Then the English business is made up of a large number of what you call small factories, while your business on this side is made up of one large, gigantic factory; is that it?

Mr. PRATT. No.

Senator HEYBURN. Have you many factories on this side?

Mr. PRATT. We have many factories; yes.

Senator HEYBURN. Then, when you speak of your producing one-half of that produced in this country—

Mr. PRATT. Which I think is an overestimate.

Senator HEYBURN (continuing). It means the aggregate product of all of your factories?

Mr. PRATT. Absolutely.

Senator HEYBURN. Which is the largest factory you have?

Mr. PRATT. At Schenectady.

Senator HEYBURN. How many men are employed there?

Mr. PRATT. We have varying numbers. At the present time, I should say between thirteen and fifteen thousand people all told.

Senator HEYBURN. So it is not very much larger than the largest one you have in England?

Mr. PRATT. Very much larger. The largest electrical factory in England?

Senator HEYBURN. Yes. Did I not understand you to say that the largest one in England employed about seven or eight thousand people?

Mr. PRATT. I think so—the Westinghouse factory.

Senator HEYBURN. And your largest one here employs about twelve to thirteen thousand?

Mr. PRATT. Thirteen to fifteen thousand.

Senator HEYBURN. So it is less than twice as large?

Mr. PRATT. Yes.

Senator HEYBURN. How many factories have you in the United States?

Mr. PRATT. That is a very difficult thing to say, because there are a number of little factories on which I have not exact data. I think I can give you an adequate idea, however. We have three of what we term our large factories.

Senator HEYBURN. Where are they?

Mr. PRATT. One is in Schenectady, which is the largest; the next largest is in Lynn, which has eight to nine thousand people at the present time; the next is in Pittsfield, Mass. Those are all our large factories. We have a new plant that we have initiated in Erie.

Senator HEYBURN. Those are the ones that you consider as constituting your American plant?

Mr. PRATT. They are the big units.

Senator HEYBURN. The lesser ones are of minor importance, and you have not the facts as to how many of them there are?

Mr. PRATT. No.

Senator HEYBURN. When you speak of your capital invested—have you spoken of that?

Mr. PRATT. I have not spoken of that.

Senator HEYBURN. Tell us the capital invested.

Mr. PRATT. I have not the exact figures in regard to the aggregate of our stock and bonds before me, but I believe it is very close to \$77,000,000, mostly stock.

Senator HEYBURN. How much of that is common stock and how much preferred?

Mr. PRATT. We have no preferred or common stock. They are all ordinary shares.

Senator HEYBURN. All of the same character?

Mr. PRATT. All of the same character.

Senator HEYBURN. How much bonded indebtedness have you?

Mr. PRATT. It is a very small quantity. There is a residue of two or three old issues of bonds. I should say the entire bonded indebtedness was less than \$7,000,000. Some of it is still outstanding that is convertible, and I can not give you the exact figures; but it is a very small proportion of the whole.

Senator HEYBURN. What dividends do you pay on your stock?

Mr. PRATT. Eight per cent.

Senator HEYBURN. What surplus have you?

Mr. PRATT. Roughly, I should say we had a surplus of \$27,000,000.

Senator HEYBURN. Can you reduce that to percentage?

Mr. PRATT. That would be about 33½ per cent surplus—roughly a third surplus.

Senator HEYBURN. We will say 33½ per cent surplus, over and above your dividends?

Mr. PRATT. Over and above our capital and bond issues.

Senator HEYBURN. That is an accumulated surplus?

Mr. PRATT. That is an accumulated surplus.

Senator HEYBURN. Where is that? Has it been put back into your business?

Mr. PRATT. Every dollar of it—that is, into plant or into working capital or into investments.

Senator HEYBURN. Your plants have not reached the stage where they need renewing so much as adding new methods? Is that the fact?

Mr. PRATT. One reason, I think, that this company has been successful is that it is continually renewing its plants.

Senator HEYBURN. Has the surplus been covered into improvements, or is it still carried as a surplus?

Mr. PRATT. I do not know that I quite understand your question.

Senator HEYBURN. Have you absorbed the surplus by improvements, or have you a cash surplus of 33½ per cent?

Mr. PRATT. That is the combined surplus of assets. Part of that is represented in cash, part in investments, and part in plant. That is the combined surplus. It is all in the business.

Senator HEYBURN. Do you think that in case the duty should be reduced then you would have to meet a larger amount of foreign competition?

Mr. PRATT. There is not the slightest doubt in my mind that if the duty is substantially reduced it will mean either a very serious readjustment of cost values in this country, or else a decreased output.

Senator HEYBURN. In the event of reduction of duties, would you enlarge your foreign establishment in order to produce material cheaper and send it into this country in competition with the American mills?

Mr. PRATT. I think our action would have to be determined by experience.

Senator HEYBURN. The question of whether it is more profitable or not?

Mr. PRATT. Yes; by experience.

Senator HEYBURN. Then you would pay your wages abroad?

Mr. PRATT. Unquestionably.

Senator HEYBURN. And stay there?

Mr. PRATT. Or else we would pay less wages. If we did not pay them abroad, other people would.

Senator HEYBURN. If you paid less wages in this country, there would be less money distributed in the country where the wages were paid—in this country?

Mr. PRATT. Absolutely.

Senator HEYBURN. If you paid the wages abroad as a substitute for any wages paid here, it would all remain abroad?

Mr. PRATT. Senator, there is not the slightest doubt in my mind that if this duty is substantially reduced it means that it is an invitation to increase the amount of wages paid and the amount of new plants erected abroad, and to make corresponding decreases in this country. It is inevitable, in my opinion.

Senator HEYBURN. And it would be a complete substitution of the capital and its profits and the labor in this country by the labor abroad?

Mr. PRATT. Absolutely. I can see no other outcome to it.

Senator HEYBURN. It would be a complete substitution?

Mr. PRATT. Absolutely a substitution—a total loss.

Senator SIMMONS. You say your only plant in Europe is located in England?

Mr. PRATT. Yes, sir; in Rugby, England.

Senator WILLIAMS. I note here, on page 689 of the Monthly Summary of Commerce and Finance of the United States, that the Government reports for 1909 of our exportation of instruments and apparatus for electrical and scientific purposes, under which head are designated telegraph instruments, telephones, and all other electrical apparatus, show the following: In 1909 we exported—this is 11 months of each year, because that was all they could get of 1911 when they prepared the report—\$6,381,936 worth. In 1910 that had increased to \$9,018,255 worth; and the 11 months of 1911 it had increased to \$9,839,400 worth. When I turn to the imports of the same place—it happens to fall in between india rubber and ink in the list in both places—that is, that is where it falls here among the exports—when I turn to the table of imports I find none at all; there is no report at all by the Government of any imports of electrical apparatus. Of course that does not necessarily mean that there is not a dollar's worth imported.

Mr. PRATT. That is right.

Senator WILLIAMS. But it means they are very small if they exist at all.

Mr. PRATT. They are negligible, in other words.

Senator WILLIAMS. So that the testimony to the effect that there is only about \$1,000,000 worth exported seems to be a mistake.

Mr. PRATT. What testimony?

Senator WILLIAMS. And your testimony to the effect that the tendency was to increase our imports and decrease our exports.

Mr. PRATT. I beg your pardon sir; I gave no such testimony. I said nothing about a tendency to decrease our exports; nothing what

ayer. You asked for an expression of individual opinion on the imports. I started to say, although you did not quite allow me to finish, that my impression from individual transactions was that there was an appreciable tendency to import where there has not been. I had in mind, to be exact, at the present time one contract for a large turbine which is going to be imported. The contract is given to an English firm to export it to this country. I know of several contracts for what are called ironclad switch control for central stations which are to be imported into this country. That is the tendency I referred to. It is something that has not existed before.

Senator WILLIAMS. The trade between the two countries is made up of the imports and the exports. You understand what I mean by the net balance?

Mr. PRATT. Yes.

Senator WILLIAMS. This seems to be an export article and not an import article.

Mr. PRATT. Yes, sir.

Senator WILLIAMS. Because the imports are so infinitesimal that the Government does not even mention them. The exports in 1909 were, in round numbers, six and a third millions; in 1910 they had grown to nine millions, in round numbers; and in 11 months of 1911 they had grown to nine millions and three-quarters, in round numbers. So that the tendency is to increase the exportations, if these figures are correct; is it not?

Mr. PRATT. Absolutely.

Senator WILLIAMS. And of net exports—net balance?

Mr. PRATT. If this remark is pertinent, I want to say that, so far as our company is concerned, we shall spare no legitimate effort to increase those exports in every possible way.

Senator WILLIAMS. Why, nobody in the world imagines that you would spare any, or spare any efforts to make money in any other way you could.

Mr. PRATT. Anything we can do to export, to increase the prestige of the American manufacturers abroad, we shall do. I should like, however, to point out what I think is a very interesting thing here; that is, it may be interesting.

Senator SIMMONS. Why not state, right in that connection, where you export that amount?

Mr. PRATT. Yes; I think I can throw a little light upon that matter. We believe—in fact, we feel that we know—that one of the reasons why we are able to export as we do to England and as we do to Japan and as we do to Canada is not because we can produce cheaper than they can in those countries, because that is not so, but it is because we have patent protection. And that is one of the reasons for our foreign trade. I do not believe you gentlemen can have any conception of what we spend in developing this business, what our engineering corps is, the class of men we have to develop this new industry and have had for 20 years, and the hazards of the business. They are something tremendous. Now, naturally, we make inventions and very far-reaching ones. The only way in which we have been able to cover ourselves in these vast expenses is to attempt to retain our property rights in foreign countries.

Senator WILLIAMS. And you take out these patents in Japan?

Mr. PRATT. Absolutely.

Senator WILLIAMS. And everywhere else?

Mr. PRATT. Everywhere we can take them out.

Senator WILLIAMS. You have patent protection, and you want American law protection, too; and you have got patents protecting you in this country, have you?

Mr. PRATT. To some extent.

Senator WILLIAMS. To every extent that you can get the patents, have you not?

Mr. PRATT. To every extent we can.

Senator WILLIAMS. Wherever you had a patentable article you had enough intelligence to find it out, and you have had it patented, have you not?

Mr. PRATT. We have endeavored to do so.

Senator SIMMONS. You say some of these exports are made to England, where you have this big factory?

Mr. PRATT. Some of them—a very few. I will explain to you, if it will be of interest, that we have facilities for making very large apparatus at our American works. The trade which the English company can command would not be enough to justify the duplication of those facilities. We can send there a few articles supplemental to their line.

Senator SIMMONS. Are any of the articles which you send to England produced in your English factories?

Mr. PRATT. No; I should say nothing.

Senator SIMMONS. None whatever?

Mr. PRATT. I should say practically nothing—none that I can conceive of. They are simply supplemental to business which they can transact.

Senator SIMMONS. Where do you sell the output of your English factory?

Mr. PRATT. Almost exclusively in Great Britain and the British colonies, and some in Japan.

Senator SIMMONS. Do you sell any in any of the other countries in Europe?

Mr. PRATT. We sell practically nothing on the Continent. I do not think the British manufacturers can export to the Continent. I think the German market is completely closed to them, and also the French market, by protective duties.

Senator SIMMONS. In going to England to establish a factory for the manufacture of the same articles you manufacture in this country, why do you go to the only free-trade country in Europe to establish your factory?

Mr. PRATT. Simply because wages are so much cheaper there that we can afford to manufacture there.

Senator SIMMONS. But we have been hearing, here, that wages were cheaper in Germany than they were in England.

Mr. PRATT. I think that is true.

Senator SIMMONS. How is it, if the tariff affects the price of wages as it is contended, that wages are higher in this free-trade country, England than they are in the highly protected countries of Europe like Germany?

Mr. PRATT. Why is it they are not so cheap in England as they are in the highly protected countries?

Senator SIMMONS. You said wages were cheaper in Germany than in England.

Mr. PRATT. Yes.

Senator SIMMONS. I ask you why it is. Germany is a highly-protected country, and England is not a protected country. Why is it, over there, with these two countries almost contiguous, if the tariff affects wages like you gentlemen say it does in this country, that in Germany, where they have protection, wages are not as high as they are in England, where they have free trade?

Mr. PRATT. I think that can be understood.

Senator SIMMONS. I want to get your explanation of it. I have no doubt you have thought about it.

Mr. PRATT. I have thought about it.

Senator SIMMONS. And you have had some experience about it?

Mr. PRATT. I have thought about it a good deal, and to my mind it is to be explained in this way—

Senator SIMMONS. While you are making the explanation, if that is so, with reference to Europe—that is to say, if in England the only free-trade country, wages are higher than they are in the protected countries of Europe—tell us why it is that protection in this country makes wages here so much higher, as you claim, than anywhere else in the world?

Mr. PRATT. That obviously takes some explanation; but I think it can be understood.

Senator SIMMONS. I should like to have you go into that subject.

Mr. PRATT. If you will bear with me, perhaps I can throw a little light on it.

Senator SIMMONS. It's a puzzle to me, and I want to get the explanation of it.

Mr. PRATT. Outside of semifinished materials, and things of that kind, some materials are cheaper abroad than they are here. But we will disregard that.

Senator SIMMONS. Have we not as much raw material as any country in the world?

Mr. PRATT. Yes, we have; but when you come to put it into the form of pig iron, there is a great deal of labor that goes into it, and therefore pig iron is more expensive here than it is in England. But

am just leading up to this point: Let us just disregard that for the time being. The great difference in the cost of production between the European countries and this country is wages. If we are going to reduce the cost of production in this country, there is just one thing in a broad way that we can do to get it down, and that is to revise our labor charge. Therefore we are protecting that labor charge with this protective tariff more preeminently than any other item that goes into the cost of production. You take the tariff in Germany. You do not hear talk there—at least I have not when

have been over—about protecting any particular class, protecting the labor. They are protecting German trade, and they are doing very effectively. Their tariff is such that where they are good manufacturers—and they are rapidly becoming exceedingly good manufacturers in almost every line—their tariff is high enough so that with their very low labor others can not import there. They do not lower their domestic costs to go up so as to meet the limit of the tariff, but there is a concentrated effort to keep their cost of production down, so that they shall not only control their domestic market, but they shall control the export markets of the world. I think these statements in regard to the German wages being less than English wages are entirely sound. The result is that the cost of production

in Germany is low, and it gives them an advantage in the export markets of the world which is tremendous, and at the same time they do control for their own manufacturers their domestic market.

Senator SIMMONS. Are we not exporting to the neutral markets of the world, in proportion to our output, about as much as Germany is in proportion to its?

Mr. PRATT. I should say not; I have not those exact figures.

Senator SIMMONS. The difference is not so very great, is it?

Mr. PRATT. I should think it would be.

Senator SIMMONS. We are engaged in a struggle for the markets of the world as well as they are, are we not?

Mr. PRATT. We are; but it is a very much harder struggle for us than for them.

Senator SIMMONS. I have seen recently that our exports of products last year amounted to a billion dollars.

Mr. PRATT. That is true.

Senator SIMMONS. That is pretty large, is it not?

Mr. PRATT. Tremendous.

Senator SIMMONS. One of the objects we have in view—I mean the majority party—in imposing a protective tariff, is to protect our domestic market, and enable us to engage in foreign trade also, is it not?

Mr. PRATT. Yes.

Senator SIMMONS. So that we have the same object in view that Germany has?

Mr. PRATT. Absolutely; of course.

Senator SIMMONS. You say that the German tariff does not help the laborer?

Mr. PRATT. There is no evidence that it does.

Senator SIMMONS. Why should it help them here, then? We are both struggling for exactly the same thing. The difference between our export trade and theirs, in proportion to our output, is not very great; and yet you say that the tariff does not help the laborer in Germany; but it does here.

Mr. PRATT. Let us take the export trade in electrical apparatus. My predecessor here has just stated, I believe, that his company exported some \$2,000,000 worth; I suppose that is about 5 per cent of their output. Do you not think that is a very small part of their business; 5 per cent of their total production? I think ours runs a little heavier.

Senator WILLIAMS. What product is it you are talking about now?

Mr. PRATT. Mr. Herr just gave evidence, I believe, that they exported \$2,000,000 worth.

Senator WILLIAMS. That what did?

Mr. PRATT. The Westinghouse Electrical Manufacturing Co.

Senator WILLIAMS. That one company?

Mr. PRATT. Yes; and that their total output was something in the neighborhood of forty millions. If so, that is 5 per cent.

Senator SIMMONS. You say about a \$1,000,000,000 worth of products were exported, taking all of our manufactured products?

Senator SMOOT. That is not the manufactured products. It is cotton, wheat, and grain of all kinds.

Senator SIMMONS. I am talking about manufactured products.

Senator SMOOT. Then the figure is lower.

Senator SIMMONS. I said I had seen it stated, and I was asking this gentleman about it, and I understood him to acquiesce in the truth of the statement.

Mr. PRATT. Is petroleum a manufactured article?

Senator WILLIAMS. The amount is nine millions.

Senator SIMMONS. I am talking about the large export of our manufactured products last year; I think something near a billion dollars.

The CHAIRMAN. Does that include our exports of products of oil?

Senator SIMMONS. I do not know what it includes; I was asking the gentleman.

Senator SMOOT. That includes everything.

Senator SIMMONS. You know our total exports last year were more than a billion dollars?

Senator SMOOT. No.

Senator WILLIAMS. Right here I want to call the attention of the witness to the following, under this same heading, electrical appliances, telegraph instruments, telephones, and all others. I find we exported in 1910 to the United Kingdom—which is Great Britain—\$505,916 worth.

Mr. PRATT. Yes.

Senator WILLIAMS. That that increased in 1911 to \$648,707 worth. That we exported to the balance of Europe—they have not got the countries down separately, but it includes Germany, although I do not know whether we exported any other to that country or not—in 1910 \$267,039 worth, which increased in 1911 to \$390,877 worth.

Mr. PRATT. Senator, do you suppose this would have any influence on that: Assume that in 1910 the German manufacturers were quite busy, very busy; assume that in 1911 they were flooded with orders, could not meet the demands: Do you suppose that would have any tendency to increase the exports?

Senator WILLIAMS. Yes.

Mr. PRATT. That condition existed.

Senator WILLIAMS. Do you know that was the case?

Mr. PRATT. That was the case.

Senator WILLIAMS. Let me go on with these figures.

Mr. PRATT. So much so that in a German factory which I know of personally they were operating 24 hours a day.

Senator WILLIAMS. If you know that, that is another matter; I do not know it, and I require some evidence of it. I find that we exported to Canada in 1910, \$2,465,387 worth of these things.

Mr. PRATT. Yes.

Senator WILLIAMS. And in 1911 that increased to \$3,181,553 worth. Can you give the reason for that increase? Do you give the same reason for that increase to Canada as you did for the increase to Germany?

Mr. PRATT. No. I will give you a suggestion; whether it is a reason or not you can determine for yourself. There are a great many very important new installations being made in Canada of hydroelectric power plants, and things of that kind, which require the utmost advanced skill in the art. The transmission is up to 100,000 volts, and even higher. There are few people, relatively few engineers and manufacturers, in the world who have the skill and the knowledge which makes them competent to handle that kind of apparatus.

Senator WILLIAMS. And we are the ones who have it, are we?

Mr. PRATT. I say, speaking for my own company, and for other American companies, they have exported a very appreciable quantity of that very advanced apparatus that we call high-tension transformers.

Senator WILLIAMS. Then we, as Americans, are the people who have that advantage?

Mr. PRATT. We have that skill for the time being.

Senator WILLIAMS. And that is an advantage, is it not, just as much as anything else?

Mr. PRATT. As long as we can hold it, until the other people catch up with us.

Senator WILLIAMS. But if we are smarter than their people, we are rather apt to remain smarter, are we not? In Cuba I find that we exported, in 1910, \$517,871 worth, and that increased in 1911 to \$558,837 worth. I find that in Brazil, in 1910, we exported \$1,689,476 worth, and that that increased to \$1,867,570 worth in 1911. I do not know whether Brazil and Cuba were having such large access so that their factories could not fill the orders, or what not.

Mr. PRATT. It is pretty safe to assume they were not.

Senator WILLIAMS. Of course this extra American skill would prevail there as much as anywhere. That will prevail anywhere will it not, unless it meets with equal skill?

Mr. PRATT. Not everywhere, because those conditions do not always exist.

Senator WILLIAMS. Are you or are you not aware of the fact that the Canadians give Great Britain a preferential duty?

Mr. PRATT. I am aware of the fact.

Senator WILLIAMS. So that we exported those things into Canada over the preferential?

Mr. PRATT. Yes, sir.

Senator WILLIAMS. As far as the English manufacturers are concerned?

Mr. PRATT. Yes.

Senator WILLIAMS. Of course the Germans have no advantage of it. To go on, I find, when we get to Japan, that we exported into Japan \$554,789 worth in 1910, which increased to \$672,670 worth in 1911.

Mr. PRATT. Yes.

Senator WILLIAMS. Then to all other countries—I do not know what they are—we exported \$907,477 worth in 1910, and in 1911 had increased to \$1,079,167 worth. In other words, we are exporting these goods, if these figures be true, are we not, into the nearest markets of the world and into Europe itself? Now, you were talking a moment ago about what an immense advantage the small war gave the German manufacturer.

Mr. PRATT. Yes.

Senator WILLIAMS. How is it that Germany thinks it necessary to protect herself with a protective tariff against Great Britain and against us, when Great Britain pays more wages and we pay more?

Mr. PRATT. It does not seem to me a very difficult thing to explain.

Senator WILLIAMS. If that is the sole cause of it, why is it? I think you said a moment ago that Germany had a very high protective tariff?

Mr. PRATT. I beg your pardon; I said it was a protective tariff. I did not say a very high protective tariff. I am not a German.

DUTIES ON METALS AND MANUFACTURES OF METALS

No. 20

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SIXTY-SECOND CONGRESS

ON

H. R. 18642

A BILL TO AMEND AN ACT ENTITLED "AN ACT TO PROVIDE
REVENUE, EQUALIZE DUTIES, AND ENCOURAGE THE
INDUSTRIES OF THE UNITED STATES, AND
FOR OTHER PURPOSES," APPROVED
AUGUST 5, 1909

FIRST PRINT

WEDNESDAY, MARCH 6, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

COMMITTEE ON FINANCE.

UNITED STATES SENATE.

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SHELBY M. CULLOM, Illinois.

HENRY CABOT LODGE, Massachusetts.

PORTER J. McCUMBER, North Dakota.

REED SMOOT, Utah.

JACOB H. GALLINGER, New Hampshire.

CLARENCE D. CLARK, Wyoming.

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W. B. STEWART, *Assistant Clerk.*

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**D. OF D.
MAY 6 1912**

WEDNESDAY, MARCH 6, 1912.

COMMITTEE ON FINANCE,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10 o'clock a. m.

Present: Senators Penrose (chairman), McCumber, Smoot, Gallinger, and Simmons.

STATEMENT OF MR. JAMES LORD, OF LEBANON PA., REPRESENTING THE AMERICAN IRON & STEEL MANUFACTURING CO., OF LEBANON AND READING, PA.

Mr. Lord was accompanied by Mr. Thomas S. Wheelwright, vice president of the Old Dominion Iron & Nail Works Co.; Mr. George S. Shimer, president of The Milton Manufacturing Co.; Mr. John C. Brown, general manager of The Canton Iron & Steel Works; Mr. Edward Ehlers, president of the Rockaway Rolling Mill; Mr. W. W. Tight, president of the Lebanon Valley Iron & Steel Co.; Mr. John P. Sylvester, treasurer of The Sylvester Co.; and Mr. C. E. Brodhead, of the Scranton Bolt & Nut Co.

The CHAIRMAN. Will you state your full name to the committee?

Mr. LORD. James Lord.

The CHAIRMAN. You reside at Lebanon?

Mr. LORD. At Lebanon, Pa.

The CHAIRMAN. What concern do you represent?

Mr. LORD. The American Iron & Steel Manufacturing Co., of Lebanon and Reading.

The CHAIRMAN. What are their products?

Mr. LORD. Their products are bar iron, bolts, nuts, and forgings.

The CHAIRMAN. Forgings?

Mr. LORD. That is, car forgings.

The CHAIRMAN. Will you proceed and state to the committee your views on this metal bill?

Mr. LORD. I am representing to-day, in company with eight gentlemen who have come from different parts of the East, 25 rolling mills that manufacture bar iron east of the Allegheny Mountains, and that stretch from Knoxville, Tenn., to Portland, Me. These companies sell their products, for the most part, east of the mountains, and largely to the Atlantic coast and Gulf points. Consequently, this bill, if passed, would put the burden of foreign competition largely on these eastern mills, because the freight from our different mills to coast points is just about equivalent to the freight from European competing points. For instance, our freight to New York would be 10 cents, while practically the same rate could be obtained from Liverpool or from Antwerp.

The CHAIRMAN. How many men are employed in your establishment?

Mr. LORD. Four thousand.

The CHAIRMAN. How many men are employed in the industry?

Mr. LORD. As nearly as I have been able to estimate, there is 30,000,000 of capital invested in the rolling mills I represent, and 6,000 employees.

The CHAIRMAN. Four thousand men in your particular mill?

Mr. LORD. Yes, sir.

The CHAIRMAN. At Lebanon?

Mr. LORD. At Lebanon and Reading.

This would bear most heavily upon our labor, because labor is high in the United States. This is the greatest labor market in the world, and necessarily the labor is coming over from other countries. Consequently when we get the price of labor up it is impossible to get it down. At least we know of no way that has been discovered so far of getting it down.

Senator SMOOT. You have no desire to get it down unless it is absolutely necessary, have you?

Mr. LORD. We are anxious to keep it up. In Germany, which would compete with us, the labor is not protected to any extent by their high tariff, because they have a superabundance of labor. Consequently they have not yet reached the point where their labor can be affected by the tariff.

The CHAIRMAN. Do you happen to know anything of the difference between the wages paid in Pennsylvania and in the other States that have these industries and those paid in Germany?

Mr. LORD. As nearly as I can find out we pay in rolling-mill work about double what the Germans do. The wages paid in Belgium are the lowest of any of the European countries I have heard of, and in England they are the highest. I refer, of course, to the competing countries.

The CHAIRMAN. Do you export any of your product?

Mr. LORD. We export practically nothing in the way of bar iron. We send a little to the West India Islands.

Canada has a high tariff against us. The manufacturers there get our scrap iron free, and it places them in a position to throw their surplus product into this country. It does not seem to me to be good business policy to give them that opportunity without being able to hit back.

As nearly as I can figure the ad valorem duty proposed in House bill 18642, it would bring the duty on bar iron to \$2 a ton. The present duty is \$6.72, and under the Dingley bill it was \$13.44. So this proposition is getting down pretty close to free trade. It would be actually free trade so far as the result to the eastern mills is concerned.

The CHAIRMAN. It would not hurt so much the mills west of the Alleghenies?

Mr. LORD. The large steel companies in the Middle West would be protected in all of their interior trade by the distance from the coast.

Senator SMOOT. Have you with you any list showing the difference between the wage paid in this country and that paid in foreign countries?

Mr. LORD. I have not such a list, but my information comes largely from gentlemen who have investigated the matter abroad, and also from the Bureau of Commerce and Labor.

Senator SMOOT. Under the present rate is your business prosperous?

Mr. LORD. Our business is not prosperous or profitable at the present time, and was not during the past year.

Senator Smoot. Under the present rates your profits have not been unreasonable, have they?

Mr. Lord. Under the present rates our profits did not enable us to cover the dividend we paid last year—7 per cent. In other words, we did not earn more than half of our dividend.

Senator Smoot. You paid your dividend from your surplus?

Mr. Lord. From our surplus.

Senator Smoot. Prices are very low in this country at the present time, however, are they not?

Mr. Lord. Prices are extremely low.

Senator Smoot. And they are rather high abroad, are they not?

Mr. Lord. I think they are higher in England than in the other countries; but England is not able to stand the competition of Germany, because a great many of the German iron and steel goods go into England.

The CHAIRMAN. Are the concerns you represent running on full time now, or what proportion of their maximum output are they making?

Mr. Lord. They are running on very slow time. Several of them have shut down altogether. In fact, half a dozen or more of them have shut down altogether.

The CHAIRMAN. And those that are running are running on about what percentage of their normal full output?

Mr. Lord. I am unable to say, exactly, but I doubt if any of them are running to the extent of 80 per cent.

The CHAIRMAN. What is your own concern doing?

Mr. Lord. We are running about 75 per cent.

The CHAIRMAN. Have you anything further to state to the committee?

Mr. Lord. Yes, sir; in regard to bar iron. The gentlemen who are here were sent as a committee from a meeting of the eastern bar-iron manufacturers, and they have prepared a short brief which is signed by eight of them.

The CHAIRMAN. If you will leave it, it will be inserted in the record as part of your statement.

Mr. Lord. Yes, sir; I will do so.

The brief referred to will be found at the end of Mr. Lord's statement.

Mr. Lord. With your permission I should like to say something now in regard to the bolt and nut and spike industry.

The CHAIRMAN. The committee will be very glad to hear you on any subject, Mr. Lord.

Mr. Lord. Owing to a mix-up in dates the gentlemen who were to speak in regard to that matter were unable to get here. Probably there would have been 15 or 20 of them here, otherwise. I did not expect to say anything about it, and I am practically alone.

The CHAIRMAN. I wish you would leave with the stenographer a list of those who had intended to be present.

Mr. Lord. I will do so.

The list referred to was subsequently handed to the stenographer by Mr. Lord, and is as follows: W. F. McKenzie, vice president Pittsburgh Screw & Bolt Co.; W. S. Comly, Rensell, Birdsall & Ward Bolt & Nut Co.; W. S. Hitchcock, vice president Upson Nut

Co.; Ralph H. Plumb, Buffalo Bolt Co.; George S. Shimer, Milton Manufacturing Co.; Marshall D. Zehnder, Scranton Bolt & Nut Co.; Clement R. Hoopes, Hoopes & Townsend Co.; Henry Holt, Lamson & Sessions Co.; James Lord, American Iron & Steel Manufacturing Co.

MR. LORD. The present bill puts spikes, nuts, and washers on the free list, with a duty of 15 per cent on bolts. All of the concerns manufacturing these items, with the exception of spikes to some extent are small concerns as compared with the large steel corporations. The large steel corporations make spikes to some extent, but they do not make the machine bolts, carriage bolts, washers, rivets, or nuts. There are about 35 of these manufacturers, as nearly as I can recall, and as nearly as I can estimate the capital employed is about \$50,000,000.

THE CHAIRMAN. How many men are employed in the industry?

MR. LORD. I am unable to say that, but I think in the neighborhood of twenty-five or thirty thousand. In the first place, spikes are used altogether by the railroads. The nuts and washers are used principally by railroads. So the effect of putting those items on the free list would be to benefit the railroads altogether at the expense of the manufacturers, and coming at a time when there is practically no profit in the manufacture of bolts and nuts and rivets, it seems like hitting a man when he is down. I do not think any manufacturer in the United States is getting, at the present time, 1 per cent above cost on the item of nuts and spikes and washers.

THE CHAIRMAN. These articles are used almost exclusively in the laying of rails?

MR. LORD. The spikes are used exclusively in the laying of rails. The nuts and the washers find their largest customers with the railroads.

In the meeting which sent me here the horseshoe manufacturers were also represented; but my concern does not make horseshoes. With your permission I will now introduce Mr. Wheelwright, of the Old Dominion Iron & Nail Works Co., of Richmond, Va.

THE CHAIRMAN. The committee will be very glad to hear Mr. Wheelwright.

The brief submitted by Mr. Lord is as follows:

AMERICAN IRON & STEEL MANUFACTURING CO.,
Lebanon, Pa., March 4, 1912

HON. BOIES PENROSE,

*Chairman of the Finance Committee,
United States Senate, Washington, D. C.*

GENTLEMEN: We appear before you in the interests of the owners and employees of 25 rolling mills, manufacturing iron bars in the territory east of the Allegheny Mountains, extending from Portland, Me., to Knoxville, Tenn., to protest against the reduction of the duty on iron and steel bars, as proposed in House bill 18642, now being considered by you.

The effect of the proposed tariff bill would be to place the burden of free competition directly upon eastern manufacturers in the territory above described.

The freight from said eastern rolling mills to Atlantic coast points is but little from the freight from Liverpool, Antwerp, and Bremen to the same points—to some coast points the foreign freight would be less.

Thus every vestige of protection would be taken from your petitioners, and the interior trade of the large steel corporations in the Middle West would be protected by their distance from the coast.

The principal reason why bars can not be produced as cheaply as in foreign competing countries is because the labor is very much higher here than there. With the same labor cost here in the manufacture of iron bars as in Belgium and Germany, we would not fear their competition.

At the present time Belgium steel bars are offered at 1.65, duty paid, to Pacific coast points—this price is equivalent to 90 cents per 100 pounds at Pittsburgh—a price which has not been reached by the large steel corporations even under present depressed conditions.

The tariff on bar iron under the Dingley bill was \$13.44 per gross ton; the Payne bill reduced this to \$6.72; the proposed bill makes it 10 per cent ad valorem, which, at present time, we estimate would be \$2.

If the proposed bill is intended to increase the revenue by the importation of bars, it may add a few hundred thousand dollars to the Federal revenue by destroying the value of many millions of dollars worth of property represented by your petitioners.

In addition to our protest against the destructive feature of the proposed reduction we strongly object to the ad valorem method, which has had no advocates among the Secretaries of the Treasury since 1846; but our strongest protest is against any reduction on iron and steel bars so soon after the duty has been cut in half.

Our Canadian neighbors have duties against our manufactured products which are prohibitive, but they admit scrap iron (which is the raw material for making iron bars) entirely free of duty.

Thus the home market of their rolling mills is insured by this protection, and they would be in position to dump their surplus product into the United States at or below their cost.

This dumping of the surplus on foreign markets is considered good business in competing countries for such portion of their product as can not be sold at home.

Very respectfully,

James Lord, president American & Steel Manufacturing Co.; Thos. S. Wheelwright, vice president Old Dominion Iron & Nail Works Co.; Geo. S. Shimer, president The Milton Manufacturing Co.; Jno. C. Brown, general manager The Canton Iron & Steel Works; Edward Ehlers, president Rockaway Rolling Mill; H. H. Light, president Lebanon Valley Iron & Steel Co.; John P. Sylvester, treasurer The Sylvester Co.; Scranton Bolt & Nut Co., by C. E. Brodhead.

STATEMENT OF MR. THOMAS S. WHEELWRIGHT, OF RICHMOND, VA., REPRESENTING THE OLD DOMINION IRON & NAIL WORKS CO.

The CHAIRMAN. Will you state your full name?

Mr. WHEELWRIGHT. Thomas S. Wheelwright.

The CHAIRMAN. Where do you reside?

Mr. WHEELWRIGHT. In Richmond, Va.

The CHAIRMAN. Whom do you represent?

Mr. WHEELWRIGHT. The Old Dominion Iron & Nail Works Co., of Richmond.

The CHAIRMAN. What do they manufacture?

Mr. WHEELWRIGHT. Bar iron, nails, shoes, railway spikes, bolts, and nuts.

The CHAIRMAN. Will you go and make your statement?

Mr. WHEELWRIGHT. Mr. Lord has already stated the case of the bar iron and steel manufacturers. Our product is largely made up of those items, but nothing has been said so far in regard to the horse-shoe end of it.

As I understand, horseshoes are on the free list of the Underwood bill. We look with great apprehension to the competition we shall meet from Canada if that bill becomes a law. There are three large

manufacturers of horseshoes in Canada, and I presume that if they ran full time they could supply double the quantity of horseshoes that would be consumed in Canada.

The CHAIRMAN. Have you attempted to figure out how the elimination of this duty would affect the consumer? Would it perceptibly benefit him?

Mr. WHEELWRIGHT. I do not see how it would, for this reason: Horseshoes are now selling in Canada and in the United States at about the same price. I have gotten some information from Montreal, and their prices on horseshoes are about the same as mine at Richmond at this time. The prices of labor and material in Canada are about the same. They now have a duty of 30 per cent, I think, on horseshoes going into Canada. What I fear, in case this bill should become a law, is that they would run their factories full time and dump their surplus product on us. That would be a very serious matter.

Senator SMOOT. What is the price of horseshoes to-day?

Mr. WHEELWRIGHT. Around \$3.50 a keg. There are a great many sizes and styles, but that is the average.

Senator SMOOT. There are 100 pounds in a keg?

Mr. WHEELWRIGHT. Yes, sir.

Senator SMOOT. Do you think the farmer would pay less for shoeing his horses all around if the duty were taken off horseshoes?

Mr. WHEELWRIGHT. I do not think he would. The average number of shoes in a keg is said to be 100, or probably a little more; and $3\frac{1}{2}$ cents per horseshoe does not look to me like very much. I have a place in the country, and I pay \$1 for shoeing horses, and I always have paid \$1; and when horseshoes were sold at almost twice what they are selling at now I still paid a dollar. It seems that the man who puts them on gets the difference. There is a very small profit on them at the prices at which they are sold.

Senator McCUMBER. What is the present duty?

Mr. WHEELWRIGHT. Thirty per cent in the case of Canada.

The CHAIRMAN. Senator McCumber wants to know what the present duty is under the United States law.

Mr. WHEELWRIGHT. Oh, I do not know exactly what it is.

Senator McCUMBER. You are here objecting to any change, are you?

Mr. WHEELWRIGHT. Yes; particularly with regard to Canada, because their conditions are such that they could put their surplus product off on us, and we would have no way of getting back. They would have a wall that we would find ourselves up against.

Senator McCUMBER. What is the duty proposed in the pending bill?

Mr. WHEELWRIGHT. The duty is nothing. They are on the free list. The case of horseshoes is much worse than that of bars, nuts, bolts, or anything else that we make.

The CHAIRMAN. The present duty is three-fourths of 1 cent per pound. What is the weight of a horseshoe or a muleshoe?

Mr. WHEELWRIGHT. The average would be about a pound.

The CHAIRMAN. Then suppose the duty made the difference in the cost, which is an assumption pure and simple. It would make a difference of three-fourths of 1 cent on each horseshoe?

Mr. WHEELWRIGHT. Yes.

The CHAIRMAN. I suppose the chief cost of the horseshoe lies in putting the shoe on the horse—the horseshoer's charges?

Mr. WHEELWRIGHT. So far as the consumer is concerned.

Senator McCUMBER. You do not think the consumer would get the benefit of that three-fourths of 1 cent, do you?

Mr. WHEELWRIGHT. I do not think he would get any of it at all.

Senator McCUMBER. I do not think he would care for it, if he did get it.

Mr. WHEELWRIGHT. I do not think he would know it one way or the other. As the consumer would not know it if horseshoes were selling at \$1.50, I do not believe the consumer would know the difference if this duty were removed.

The CHAIRMAN. On the shoes for the whole horse it would make a difference of 4 cents.

Mr. WHEELWRIGHT. The jobber, the retailer, and the blacksmith are all between us and the consumer; and he would never know the difference.

The CHAIRMAN. There are several large Canadian manufacturers of horseshoes, are there not?

Mr. WHEELWRIGHT. Three; yes, sir.

The CHAIRMAN. They are running on about half time now?

Mr. WHEELWRIGHT. I do not know exactly, but I should assume they are. We are only running on half time; hardly that.

The CHAIRMAN. I am informed they are running on half time, and that if this bill were passed, they would run on full time and dump their product into this country.

Mr. WHEELWRIGHT. Certainly.

The CHAIRMAN. And we would have a prohibitive tariff against us in their market.

Mr. WHEELWRIGHT. That is what we would. There should be a dumping clause in any tariff bill, I think, to keep them out.

The CHAIRMAN. So that while it sounds good to the farmer, he is only getting a shell.

Mr. WHEELWRIGHT. He will never hear from it. He will never know it. I base that statement on the fact that in the past horseshoes have sold at higher prices than they do now. Take the case 10 or 15 years ago: They probably sold then for as much as 50 cents a keg higher than they do now.

Senator McCUMBER. You have not heard the farmer weeping any over the cost of the shoe, have you?

Mr. WHEELWRIGHT. I certainly have not, sir. The jobber gets them and he sells them to the retailer, and then they are doled out to the blacksmith.

The CHAIRMAN. You say a dollar a mule, or a dollar a horse, is the fixed charge in your country for putting on a set of shoes?

Mr. WHEELWRIGHT. In the country it is a dollar and in town it is a dollar and a half.

The CHAIRMAN. Is that the usual price throughout the eastern part of the United States?

Mr. WHEELWRIGHT. It is the price all down through the Southern States, I know. I do not know about any other part; but it is the usual price from Richmond down to the Gulf.

Senator McCUMBER. That includes furnishing the shoes?

Mr. WHEELWRIGHT. That includes the shoes and the nails and the charge for putting them on.

The CHAIRMAN. That price has prevailed for several years?

Mr. WHEELWRIGHT. It has prevailed for 25 years, to my knowledge.

The CHAIRMAN. During that time how much variation has occurred in the price of horseshoes?

Mr. WHEELWRIGHT. There has not been a range of more than a dollar one way or the other in all that time.

The CHAIRMAN. A dollar for how many?

Mr. WHEELWRIGHT. Per keg. It has not been so high as that. It has been down as low as \$2.50 at one time, and that pretty nearly put all of us out of business. Then it has been up as high as \$3.75 or \$3.80. That is about the range in that period. Of this \$3.50, the price of a keg of horseshoes, from 50 to 60 per cent is labor.

The CHAIRMAN. When horseshoes got down to the low figure you mentioned, \$2 or \$2.50, did it reduce the price for shoeing a horse?

Mr. WHEELWRIGHT. Not at all. It never changed. That is a matter of history. It brought about a loss in the manufacture of them, but made no difference to the consumer.

The CHAIRMAN. Would or would not putting horseshoes on the free list close up your concern, or what would be the result?

Mr. WHEELWRIGHT. It would depend upon how aggressive Canada would be in using her privilege. If the Canadians used it to the full limit, they could fix us particularly quickly on the eastern coast, where they could hit us quickly.

The CHAIRMAN. Assuming that Canada would start up at full time her mills which are now working half time, and put her articles on the seaboard, you would be undersold pretty seriously. would you not?

Mr. WHEELWRIGHT. I think they could put the Treager Co. and ourselves out of the game in six months. The Treager Co., at Richmond, is another manufacturer of horseshoes.

The CHAIRMAN. How many men do you employ?

Mr. WHEELWRIGHT. From 450 to 500 men.

The CHAIRMAN. You would certainly have to reduce wages.

Mr. WHEELWRIGHT. I would not be able to reduce wages, and I would simply have to quit. That is about the size of it. The wage could not be reduced.

The CHAIRMAN. Have you any further statement to make to the committee?

Mr. WHEELWRIGHT. There is one thing in regard to bars that I think is worthy of thought by the committee. I have noticed in all of the legislative treatment of bar iron that iron and steel are considered as one thing, just alike. There is an essential difference between iron and steel. Iron can be made only in units of about 500 pounds, by the puddling process. That is a very old process. It has been in vogue from the middle of the eighteenth century until now. It has some merits, or else it would not have lasted at this time. But when you treat iron and steel as the same thing, I do not think you are treating iron as well as it might be treated because you can make 50 tons of steel at a time and you can make only 500 pounds of iron at a time. The amount of labor entered into a ton of iron is vastly greater than the labor that enters into

ton of steel. If I understand the spirit of this general argument, it is that the treatment of articles in the tariff is largely measured by the labor that enters into the value of a ton of the finished product, and on that score iron should be treated on its merits and on the basis of the essential differences between it and steel.

Senator McCUMBER. Do you think iron should have a heavier duty?

Mr. WHEELWRIGHT. I think inasmuch as a greater proportion of the value of a ton of iron is in labor, it should have more care legislatively than a ton of stuff that has less labor in it.

Senator McCUMBER. Is the cost of production, taking everything into consideration—all the ingredients you use, etc.—greater in the case of a ton of iron than in the case of a ton of steel?

Mr. WHEELWRIGHT. It certainly is very much greater.

Senator McCUMBER. How much greater?

Mr. WHEELWRIGHT. If you are making iron from old material, re-rolling it, the difference is not so great. If you start from initial material and make it—

Senator McCUMBER. That is, from the ore?

Mr. WHEELWRIGHT (continuing). The labor entering into it is, say, from 60 to 75 per cent. Where it is rerolled old material it is anywhere from 30 to 40 per cent. So you see there is a great difference.

Senator McCUMBER. What is the percentage in the case of steel?

Mr. WHEELWRIGHT. That is a matter that has been very thoroughly investigated, and you have gotten a great deal of testimony from the large makers of steel. The iron man has not had much to say. He is in the proportion of 8 to 92—8 per cent of iron and 92 per cent of steel; so he has been rather quiet in this whole discussion. The proportion is that of 1 to 12, say. I should say that the data already gathered would pretty well cover that point. I would only be speaking by guess if I stated it, because I do not make steel.

Senator McCUMBER. I thought if you could put the two statements together for comparison it could be better understood and would be a little clearer.

Mr. WHEELWRIGHT. I could not do it from the limited knowledge I have of steel.

Senator SMOOT. Have you any knowledge as to how many men are employed in the manufacturing of iron in this country?

Mr. WHEELWRIGHT. I could not say as to the whole country, but I think the eastern and southern end of it would represent at least 20,000 men. They are old industries, all of them.

Senator SMOOT. If this business were destroyed and given to another country, and those men were thrown out of employment, they would have to seek it in some other kind of business, would they not?

Mr. WHEELWRIGHT. Yes, sir; that would be the inevitable result.

Senator SMOOT. And if that were the result, of course it would displace other workmen in other industries, and make virtually an oversupply of labor in this country, would it not?

Mr. WHEELWRIGHT. Yes, sir; it certainly would. Furthermore, the capital that is invested in all our plants would be of negligible value.

The CHAIRMAN. That is all, then, unless you have something further to say to the committee.

**STATEMENT OF MR. ISAAC D. RUSSELL, OF NEW BRITAIN, CONN.,
REPRESENTING THE AMERICAN HARDWARE CORPORATION.**

Mr. RUSSELL. Mr. Chairman and gentlemen of the committee: My testimony will follow closely, but briefly, a statement that has been prepared for our committee regarding our industry in its relation to the Underwood bill. I desire to file the complete statement as the brief for our company.

The American Hardware Corporation has an investment of upward of \$15,000,000 in the manufacture of wood and machine screws, stove and tire bolts, furniture, desk, and cabinet locks, padlocks, trunk and suit-case locks, door locks, and general builders' hardware. It employs 5,100 hands, and distributes annually about \$2,600,000 through its pay rolls.

The CHAIRMAN. How many men do you employ?

Mr. RUSSELL. We employ 5,100, or thereabouts.

Senator SMOOT. Five thousand one hundred men, or 5,100 men and boys?

Mr. RUSSELL. Five thousand one hundred hands. There are some women employed in the industry, but no great percentage of them.

Senator SMOOT. Have you many girls employed in your industry?

Mr. RUSSELL. There are quite a number in the screw industry and a moderate number in the hardware industry.

Senator SMOOT. The reason I asked the question is that you stated that you had 5,100 employees and that the annual wages paid were \$2,600,000. That amounts to \$500 each per annum, and I wondered whether they were men or whether they were boys and girls.

Mr. RUSSELL. Our industry represents but a modest percentage of the total amount invested in such operations throughout the country. All the company's product would be affected by the Underwood bill.

We are concerned, first, with paragraph 38, covering wood screws. The duty proposed is 25 per cent ad valorem, against specific duties in the Payne-Aldrich bill which average about 55 per cent. The principal competition to be encountered if, as we suspect, 25 per cent duty is insufficient to shut out foreign-made steel screws, would be the competition of the Germans. Their export prices are much below those of the English makers, and therefore the latter may be left out of consideration.

We have not the German costs to compare with our own, and therefore we can only present the German export prices in contrast with our own factory costs of the same sizes of steel screws. These run as follows (I will give only a portion of the list):

On size A the German export price is 0.0367 cent per gross; the American cost is 0.037 cent.

On size C the German price is 0.051, and the American cost 0.049.

On size E the German price is 0.0867, and the American cost 0.088, etc.

It will be seen that the German export prices parallel in curious fashion the American manufacturing costs, and closely approach them. The American costs are factory costs, and carry no burden of selling expense. We have not the German costs of production which in time the labors of the tariff board might afford us, and for which we believe revision of the wood-screw schedule should be made.

But the very fact that the German makers openly advertise screws for export at prices practically identical with the American costs justifies the apprehension that the Germans may be able to invade the American market in spite of a 25 per cent tariff, especially if they resort to their notorious practice of dumping.

We contend, therefore, that the rate of duty should not be fixed at 25 per cent, nor at any other rate, until full information is at hand as to the industry at home and abroad, in the light of which information alone the rate of duty should be determined.

Senator SMOOT. Is there very much chance of undervaluation in the exportation of screws from Germany to this country?

Mr. RUSSELL. There certainly would be if the rate were made ad valorem instead of specific. We very much prefer a specific rate.

Stove and tire bolts are the next item in which we are interested. In the Underwood bill, under paragraph 21, the rate of duty is fixed at 15 per cent. In the Payne-Aldrich bill a specific duty was laid of 1½ cents per pound, which makes an average ad valorem duty of 25 per cent. What has been said regarding the wood-screw schedule applies with equal force to the stove and tire bolt schedule. The same apprehension prevails as to the possibility of the Germans dumping in this market.

We are also concerned in paragraph 23 of the Underwood bill, which embraces machined iron castings. The proposed duty is 10 per cent, against a specific duty of 1 cent a pound imposed in the Payne-Aldrich bill, equivalent to about 26 per cent ad valorem. Under this paragraph it would be possible to send over from abroad cast-iron lock cases, caps, and working parts, finished up to the point of japanning and assembling. They could then be readily put together in a simple assembling shop, and we believe they could be offered on this market at not more than 15 per cent above the English or German basis. Casting, drilling, and machining entail nearly the entire labor cost upon the cheaper grades of locks.

What is true of locks is equally true of door checks and similar articles. Moreover, this paragraph opens the door to undervaluation, for the importations under it would be of partly finished goods and dissembled goods, which possess no established market value. No standard for checking the importers' valuations would, therefore, be available, and it seems to us this paragraph invites irregular practices.

Again, we would be affected by paragraph 66, the so-called blanket paragraph. The rate fixed in the Underwood bill would be 25 per cent ad valorem, against 45 per cent ad valorem in the Payne-Aldrich bill. In approaching this schedule we are handicapped by ignorance of foreign manufacturers' costs. All we can do is to compare the prices at which foreign manufacturers are content to sell their goods with our own costs of similar goods; or we can compute the cost of foreign goods as made in our shops.

In two classes of hardware at the present time we are outclassed by English and French makers. These two classes are the very highest priced French hardware, which is hand-chased, and in which labor plays much the larger part.

The CHAIRMAN. Are there many importations of those articles?

Mr. RUSSELL. I do not know how large they are, but they are all imported at the present time so far as I know.

Senator McCUMBER. Do you export many goods?

Mr. RUSSELL. Our direct exports are but \$170,000 a year.

The CHAIRMAN. To what country?

Mr. RUSSELL. We export, I should say, about \$60,000 to England and, perhaps, \$25,000 to Canada and the rest of the world.

The CHAIRMAN. How is it that you are able to export to England?

Mr. RUSSELL. Over there we have exported chiefly American specialties. When we opened our London warehouse, the English were using a wrought lock. We duplicated that lock in a cast-iron lock. As it was cheaper, we could undersell the English, and for a time we held that market. Just so soon as the English had imitated that lock and made it in cast iron, we lost it; and that has necessitated our selling specialties over there.

Senator SMOOT. The \$170,000 per annum which you export is generally specialties, you say. Is it impossible for you to export the stock that is ordinarily made in large quantities by your concern?

Mr. RUSSELL. It is. In Canada, for example, we sell one certain class of goods, and that class of goods is a class that is not made in Canada. The cost of equipment for producing that grade of goods is too high to warrant the Canadian manufacturers going into it and so we still have a market there, until they get into that line of business.

Senator SMOOT. About what does that amount to?

Mr. RUSSELL. I should think that was perhaps twenty-five or thirty thousand dollars a year; possibly more.

Senator SMOOT. What class of goods?

Mr. RUSSELL. It is, for the most part, the very highest class—bronze goods and articles that it requires an extensive and expensive investment to manufacture.

Senator SMOOT. What is your annual production?

Mr. RUSSELL. Our annual production is about \$7,000,000.

Senator SMOOT. That is to say, that is the amount of distribution but not the cost. About what amount is the cost to you of the goods made?

Mr. RUSSELL. I would not venture to state that. I really do not know.

Senator SMOOT. Your selling price is about \$7,000,000?

Mr. RUSSELL. About \$7,000,000; yes, sir.

Senator SMOOT. So that the amount you pay to labor is about 25 per cent of the selling price of your goods?

Mr. RUSSELL. That is, the direct labor. We reckon that the cost of our material is about one-third of the entire cost. But there enters in there, of course, the overhead expenses. In fact, our costs divide themselves roughly into thirds—one-third material, one-third direct labor, and one-third indirect labor and overhead expenses.

The CHAIRMAN. Has there been a large margin of profit in your business?

Mr. RUSSELL. There has been a good margin, but not an exorbitant margin. As I said, our investment is upward of \$15,000,000, and our profits last year were a trifle over \$1,000,000.

Senator SMOOT. Have you much competition in this country?

Mr. RUSSELL. We have very extensive competition.

Senator SMOOT. What percentage of the total production in your country does your firm make?

Mr. RUSSELL. I should say not over 20 per cent, if that.

The CHAIRMAN. Have you anything further to state to the committee, Mr. Russell?

Mr. RUSSELL. I will present a few comparisons here of the selling price of French, English, and German hardware with the American cost of the same articles as produced in our mills.

Taking the French high-class chased hardware, a certain form of escutcheon is sold by the French at \$3.28. Our cost to produce it would be \$8.94.

In the case of certain bolts, the French selling price is \$12.71, and our cost would be \$46.94.

In the case of English hardware, a certain chain door fast—

Senator McCUMBER. Will you give me again that French figure?

Mr. RUSSELL. An escutcheon, \$3.28 and \$8.94.

Senator McCUMBER. That is, what they are willing to sell for \$3.28 costs you \$8.94?

Mr. RUSSELL. It would cost us that to reproduce it in our factory.

The CHAIRMAN. What kind of an article is that?

Mr. RUSSELL. That is a hand-chased gold-plated escutcheon.

The CHAIRMAN. What are they used for?

Mr. RUSSELL. That is used in the very highest type of work.

Senator SMOOT. You do not produce very many of them in this country; do you?

Mr. RUSSELL. We do not produce them at all. Those are easily imported under the 45 per cent duty.

Senator McCUMBER. If you do not produce them, how do you get the cost here?

Mr. RUSSELL. We can reckon what it would cost us to produce them in our factory.

Senator McCUMBER. Even though you do not produce them?

Mr. RUSSELL. Even though we do not produce them.

In the case of English hardware, a chain door fast sells for 60 cents, and our cost is \$1.08. An English knob is \$2.58, and our cost \$3.07.

In the case of German hardware, a trunk lock there sells for \$2.26, and the cost here is \$2.45. In another case the figures are \$1.53 and \$2.17. In the case of a trunk corner the figures are \$0.49 and \$0.57.

I might multiply examples indefinitely; but those are sufficient. More of them appear in the brief.

The selling prices given in this memorandum are those prevailing in the home markets of the producing countries. They are not export prices made to work off surplus product with only a small regard to cost; but they are the prices at which the makers sell to their own people.

The experience of Canadian hardware makers in their competition with English manufacturers affords a valuable analogy to what might occur upon our side of the line were the proposed reduction of duty to 25 per cent ad valorem put into effect.

Under the British preferential tariff locks and hardware of English make are assessed a duty of 20 per cent ad valorem, I believe. In spite of this 20 per cent tax English hardware reproducing American models is largely imported into Canada at this time and is freely offered at prices much below those asked by either Canadian or

American firms. Canadian manufacturers are agreed that their hardest competition is that of English manufacturers, who offer to duplicate and do duplicate goods of their manufacture at prices that preclude anything approximating a reasonable profit.

I present here a few articles in which our price is f. o. b. New Britain, and includes no duty, while the English price is f. o. b. Toronto, with a duty of 20 per cent fully paid.

In the case of a certain form of knob the American price is \$8.30; the English price is \$5.92. In the case of a certain other knob the American price is \$0.90, and the English price \$0.80. In the case of a certain type of lock the figures are \$4.50 and \$3.63; in another, \$5 and \$5.43.

Canadian manufacturers maintain that the importation of English-made hardware into the Canadian market has but just begun; and they argue that the established duty of 20 per cent is insufficient to allow them to compete with the English on a footing of equality if the present Canadian standard of wages is to be maintained. The Canadian situation, in our belief, gives rise to a question as to whether the 25 per cent duty would be sufficient to protect American hardware manufacturers.

We present, last, as the most important consideration the possible effect of this bill upon the wages of those engaged in our industry. We give a comparison between average hourly rates of wages in various occupations, as found in our own plants, and wages in the same trades in England. The English scale is published in the Standard Time Rates of Wages in the United Kingdom, October 1, 1910, a British Government publication: Iron molders, American \$0.25; English, \$0.154.

The CHAIRMAN. That is the number of cents an hour, is it?

Mr. RUSSELL. Cents an hour.

Senator SMOOT. Is this taken from the London Board of Trade report?

Mr. RUSSELL. It is from that; yes, sir.

Senator SMOOT. That we had printed as a public document?

Mr. RUSSELL. This is from the parliamentary report itself, under the title I have given.

Iron molders' helpers, \$0.16 and \$0.10; grinders, \$0.22 and \$0.14; brass molders, \$0.275 and \$0.155; helpers, \$0.175 and \$0.10.

I do not know that you want the whole list, but those are significant.

Senator SIMMONS. Have you the common laborer in that list?

Mr. RUSSELL. The figures in the case of the common laborers are \$0.15 and \$0.11.

Wide as is the difference in wages shown in this memorandum, it becomes yet more striking when presented as an average for the whole industry instead of in individual occupations.

The average hourly rate of wages in our Russell & Erwin plant—that is one of our plants—which produces locks, latches, keys, and other builders' hardware, is 20 cents for day workers and 19 and a fraction cents for pieceworkers. Foremen and department heads are not included. The average in England for those engaged in the manufacture of locks, latches, keys, etc., as published in Standard Time Rates of Wages in the United Kingdom, October 1, 1910.

3/9 per week of 54 hours, all working full time. This is an average hourly rate of 8.3 cents, and is more than confirmatory of the figures given in the British Government report upon the industrial conditions in the United States, which makes the relationship of American wages in the engineering trades—and I believe we would come in those trades—to English wages in the same trades as 213 to 100.

This startling difference is in part accounted for by the general employment of apprentices, women, boys, and girls by English lockmakers in occupations followed by men alone in this country. The report of the British Board of Trade for 1906 covers the wage conditions of 696 persons engaged in the making of locks and latches. Of this number 336, or 49 per cent, were apprentices, women, boys, and girls, whose full weekly wages range from \$2.50 (9/7) down to \$1.52 (6/4). Against this set the fact that out of our 1,270 operatives only 268, or 21.1 per cent, were of the class above mentioned.

Senator SIMMONS. Can you give, in that connection, the exact number of apprentices that enter into this computation?

Mr. RUSSELL. The apprentices in the British statement or in our own?

Senator SIMMONS. You referred to the case of six hundred and odd workmen, 49 per cent of whom were apprentices and women; and understood you were giving the figures of the average of their wages.

Mr. RUSSELL. Yes.

Mr. SIMMONS. I want to know what percentage of them—how many of them—were apprentices.

The CHAIRMAN. I suppose you can state approximately, in a general way, how many out of that total number would be apprentices.

Mr. RUSSELL. How many of ours, or how many of the British? I have not that subdivision, although that is given in the report cited.

Senator SIMMONS. Will you not get that and put it in the record for us?

Mr. RUSSELL. I will if you wish; yes, sir. You would like the number of apprentices out of that total number?

Senator SIMMONS. Yes; the total number of apprentices comprised in the number of wage earners which you gave there.

Mr. RUSSELL. Yes, sir.

Senator McCUMBER. Would it be about the same number of apprentices as in this country—the same percentage?

Mr. RUSSELL. I rather question whether it would not be more, perhaps. I do not know whether the apprentice system has so largely gone out in England as it has here. We have fewer apprentices.

Senator SIMMONS. That is what I had in mind—that the apprentice system did not obtain to any considerable extent in the manufacturing industries of this country.

Mr. RUSSELL. It does not in this country—not to the extent that it used to.

Senator SIMMONS. There are many apprentices over there who work for nominal wages, as I understand?

Mr. RUSSELL. Yes, sir.

Senator SIMMONS. If you include those in making an average, that reduces the average very much.

Mr. RUSSELL. That is right.

Senator SMOOT. They produce goods just the same, whether they are apprentices or whether they are regular employees.

Senator SIMMONS. I am not speaking of that. I was saying that the wage of the apprentice was not so much in dollars and cents as it was in training. He gets his pay in training. His wage is nominal.

Senator SMOOT. But the laboring man in this country has to work against just such conditions; and the apprentice in that country, if he does not receive any wages, still produces the goods.

Senator SIMMONS. But, Senator, as I understood the witness, he was giving the average wage paid to so many laborers in the hardware industry in England. In order to do that he has read over a list of so many of them. This list was made up of laborers of certain kinds, and apprentices; and I simply wanted to get the number of apprentices that entered into the list; that was all.

Senator McCUMBER. While we have not the apprentice system here, the beginner learning his trade is not paid so much as one who has become experienced in that trade, is he?

Mr. RUSSELL. Why, certainly not.

Senator McCUMBER. So we have something that is similar in effect to the English system.

Senator SIMMONS. As a matter of fact (I do not know whether you know this or not, but I should like to inquire of you), in England the apprentice receives very little compensation; part of his reward is in the opportunity to learn the trade. There is no such system as that in this country, as I understand. You may have an unskilled man who is learning the business, and he does not get skilled wages; but still, he gets a wage that is compensatory?

Mr. RUSSELL. We have some few apprentices in the trades who get from 50 to 75 cents a day while they are learning. We have few apprentices, I think, in our works now—in this one particular work.

Senator SIMMONS. But the apprentice system does not obtain here as it does over there?

Mr. RUSSELL. I do not know about that.

Senator McCUMBER. As a matter of fact, over there they have to pay the apprentices enough for them to live on; do they not?

Senator SIMMONS. Not always.

Senator McCUMBER. Do you know anything about that? Do you know whether or not they pay living wages to apprentices in Great Britain in that line of work?

Mr. RUSSELL. I do not.

There is one other point regarding the labor situation, and that is that even what has been cited does not measure the full difference for it is well known in the hardware trade that there is a certain custom prevalent in England of farming out work. Under that system, work is taken out of the factories and done at home, the entire family cooperating in the work, and producing it under a piecework plan at labor rates which may be materially lower than those that have been quoted. I have not been able to find any authority bearing on this. I have merely the evidence of manufacturers who have been over there and are familiar with the system. But I do find something as regards this sweating or farming-out custom in the cutlery trade and in the chain-making trade; and it has been repeatedly stated that it also prevails in the hardware trade.

Senator SIMMONS. We have no such thing as that in the hardware trade in this country, I imagine; but in some of the industries in this country does not that same method apply?

Mr. RUSSELL. The only one I am familiar with is in the knitting trade. I know wrappers and drawers are let out to families for buttonholing or sewing. That prevails in our own town; and a similar custom, as I understand, prevails in the hardware business over in England.

Senator SIMMONS. I should like to ask you this question (I do not know whether or not it is exactly pertinent). Taking that method as it obtains in England, you think it is a bad method; do you not?

Mr. RUSSELL. Most assuredly. I should not want to see it prevail here.

Senator SIMMONS. Yet it results, you say, in more economical production?

Mr. RUSSELL. Lower cost of production.

Senator SIMMONS. That is what I mean; it results in lower cost of production.

Mr. RUSSELL. When it is considered that taking our product by and large, material constitutes but one-third of its cost, and the rest is labor, it becomes evident that if the new tariff should necessitate a general readjustment of our industry to meet changed conditions, it is almost inevitable that wages must be readjusted also—not necessarily to the English level, but to such a level as will put us on a parity with English makers in labor-cost production. The protection given by this bill may be sufficient insurance against a decline to English-labor rates in our trades, but it may not prove any guarantee against a marked decline from the present level of wages.

In conclusion, we want to reaffirm our belief in the Tariff Board or some similar governmental body as the only agency able to collect and digest the requisite data for the framing of a just tariff; and we record our conviction that tariff changes should be based upon the findings of that body. We protest against the fixing of schedules arbitrarily and without foreknowledge of their effects; and we declare our readiness to accept, as just and final, rates of duty established in accordance with the conclusions of the Tariff Commission.

Senator SIMMONS. Has the Tariff Board made any report at all on this subject?

Mr. RUSSELL. It has not.

Senator SIMMONS. Has it given it any attention?

Mr. RUSSELL. They have had no data, so far as I know.

Senator SIMMONS. They have not been making any investigation of this subject so far as you know. What proportion of the business done in this country do you represent?

Mr. RUSSELL. I should say not to exceed 20 per cent.

Senator SIMMONS. Did you give, before I came in (you have not done so since I came in), the annual American output or production?

Mr. RUSSELL. I could not give you that. It is too extensive a trade.

The CHAIRMAN. How many separate, independent concerns are engaged in this business?

Mr. RUSSELL. That I could not give you. I could name you a good many.

The CHAIRMAN. Roughly speaking, have you any idea? Are there several hundred, or fifteen or twenty, or how many?

Mr. RUSSELL. I should think there were 50 concerns that make hardware of one kind or another; probably more.

The CHAIRMAN. Scattered all over the country?

Mr. RUSSELL. They are all over the country; yes, sir. "Hardware" is a very general term, as you know.

Senator SIMMONS. You make something like 20 per cent, you say?

Mr. RUSSELL. Perhaps so.

Senator SIMMONS. Are you the largest single establishment, practically speaking?

Mr. RUSSELL. I think we are not.

Senator SIMMONS. Which is the largest?

Mr. RUSSELL. I should think the Yale & Towne Manufacturing Co., perhaps, are the largest.

Senator SIMMONS. What percentage of the total do they produce?

Mr. RUSSELL. I could not tell you, Senator.

Senator SIMMONS. Much more than you do?

Mr. RUSSELL. Not much.

Senator SIMMONS. You and they, combined, produce somewhere near half the entire output, do you not?

Mr. RUSSELL. I question that. No; I am sure we do not. I think putting 20 per cent for our output is putting it too high, because there is the Yale & Towne Manufacturing Co.; Sargent & Co., of New Haven; the Reading Hardware Co., of Reading, and the Penn Hardware Co., of Reading. Those are the main manufacturers. There are a number of small ones besides.

Senator SIMMONS. What proportion of the American production is exported?

Mr. RUSSELL. That I am unable to give you. I only know our own exports, which are small.

Senator SIMMONS. You do not know the extent of the export taken as a whole?

Mr. RUSSELL. I do not; no, sir.

Senator SIMMONS. What is your information about the imports?

Mr. RUSSELL. The imports are nominal.

Senator SIMMONS. What percentage of foreign labor is employed in this industry; do you know?

Mr. RUSSELL. I do not. It has been increasing of late years.

Senator SIMMONS. What class of foreigners do you employ?

Mr. RUSSELL. We have nearly every nationality. That is to say among the foremen and heads of departments you will find Irish and Germans of the first or second generation. The machinists you will find are largely Swedes. Then, when you go down to the rough labor you find they are largely Poles.

Senator SIMMONS. A good deal has been said about the American standard of living. Is the standard of living of the common unskilled Pole laborer employed in these factories a very high standard?

Mr. RUSSELL. It very soon becomes high. When he first comes over it is low, but it takes a very short time for him to develop.

Senator SIMMONS. After they have been over here a short time they quit this factory work and go at something else, do they not?

Mr. RUSSELL. They do not.

Senator SIMMONS. If they do not go back to Europe in a short time they quit this and go at something else after their standard of living becomes higher?

Mr. RUSSELL. No; they do not. For example, when they first entered New Britain a few years ago—we did not employ them at that time—they were willing to work for 90 cents a day. To-day those same men can earn in our plating room \$2 or \$2.25 a day.

Senator SIMMONS. It is said—I do not know whether it is true or not—that a very considerable number of the Poles and southern Italians who are coming over here and being employed in connection with steel and iron manufacturing, mining, and, perhaps, woolen and cotton manufacturing in New England, come and stay only a short time, the average length of time being three or four years, and then return. When they first come they work at very low wages and live very far below the level of the American workmen. Do you know of any such conditions as that in your industry?

Mr. RUSSELL. They do not prevail in our town, I know that.

Senator SIMMONS. What is the standard of living of the Pole you employ when he first comes over?

Mr. RUSSELL. They generally live in tenements, a large number in one room. The family takes boarders.

Senator SIMMONS. You say a large number in one room; how many in one room?

Mr. RUSSELL. I would say in one tenement; not in one room necessarily, but in one tenement.

Senator SIMMONS. They crowd together in large numbers as compared with the Americans?

Mr. RUSSELL. They herd together; yes.

Senator SIMMONS. What are their living expenses as compared with those of Americans—outside of the house?

Mr. RUSSELL. That I am unable to tell you.

Senator SIMMONS. Is it not very low?

Mr. RUSSELL. It is low for a short time only.

Senator SIMMONS. What do you mean by "a short time only"?

Mr. RUSSELL. When they first come over here it is their ambition—almost immediately they get over here—to acquire land, and great numbers of the Poles in our town have acquired real estate and have quite considerable bank balances.

Senator SIMMONS. Is it not a matter of fact that these cheap laborers from Europe, these newly arrived immigrants in the factories, are crowding out the Americans and the North Italians—I mean the northern and western European laborers—whom you formerly employed in the factories?

Mr. RUSSELL. I could not say they are crowding them out, because the Americans, the north Europeans, the second generation Irish and Swedish, and the Germans care very little for factory work. They would prefer to go into shopkeeping and into clerking and into the professions.

Senator SIMMONS. Formerly did they not do factory work almost altogether in this country, or largely?

Mr. RUSSELL. They did.

Senator SIMMONS. They are not doing it now. Have they not been crowded out by these recent immigrants?

Mr. RUSSELL. Not crowded out; they voluntarily gave up those occupations.

Senator SIMMONS. I am not speaking of skilled laborers, but common laborers in the factories; have they not been crowded out as com-

mon laborers in the factories, and are not the factories employing these recent arrivals, and employing them because they work for less wages than the Americans, and are they not able to work at less wages than the American because they live more cheaply than the ordinary American?

Mr. RUSSELL. No; I would not admit that they were crowding them out, because the rates of wages paid in those occupations are higher to-day than they have been.

Senator McCUMBER. One reason you do not have the Germans is that they are having pretty prosperous times, and there is no immigration?

Mr. RUSSELL. Yes.

Senator McCUMBER. And the immigration is from southern Europe?

Mr. RUSSELL. Yes.

Senator GALLINGER. And those people who are crowded out, as the Senator puts it, are getting employment, are they not?

Mr. RUSSELL. Yes; and in better occupations.

Senator SMOOT. It used to be that the Americans did the digging of sewer trenches, and all that class of work, but they are not doing it to-day.

Mr. RUSSELL. No.

Senator SMOOT. They are not being crowded out, are they?

Mr. RUSSELL. No.

Senator SMOOT. They simply refuse to do it?

Mr. RUSSELL. They simply refuse to do it.

Senator SMOOT. And I do not blame them. The railroad work that used to be done by Americans and Irish is not being done by them to-day, simply because you can not get them to do the work but they are not crowded out, are they?

Mr. RUSSELL. They surely are not. They go out voluntarily.

Senator SMOOT. You speak of the Irish and Swedish as being foreigners. Have they not taken out their papers?

Mr. RUSSELL. Yes; they have. That is a slip.

Senator SMOOT. They are not foreigners; they are American citizens?

Mr. RUSSELL. Yes.

Senator SMOOT. And good American citizens, too, are they not?

Mr. RUSSELL. Excellent. In that connection let me say that the Poles make very excellent citizens after a short time; they are an extremely orderly people.

Senator SIMMONS. Do you know what per cent of these Poles who work are naturalized citizens?

Mr. RUSSELL. I could not tell you; but they make haste to naturalize themselves, to take out papers.

Senator SIMMONS. I think the Immigration Commission reports that somewhere near one-third of the southern Europeans and eastern Europeans who are coming here do not become naturalized at all. As a matter of fact, you do employ these immigrants who are coming to this country. They do not get the same wages as the Americans formerly got?

Mr. RUSSELL. They are getting the same; quite the same; quite as much or higher wages. The tendency of wages has been up.

Senator SMOOT. They are getting more than the Americans got a few years ago, are they not?

Mr. RUSSELL. Yes.

Senator SIMMONS. I asked that question because I saw, from the reports of the Immigration Commission, they are put down as not earning as much as Americans. They have it from one to two dollars a week less. I do not know whether those figures are correct or not.

Senator SMOOT. They are not making as much, for the simple reason, I suppose, that the Americans have gone into other labor that they prefer.

Mr. RUSSELL. Precisely.

Senator SIMMONS. It is put down as their earning capacity; that is, their earning capacity was less than the Americans. You say, as I understand you, that you pay these recent arrivals just as much as you do the native American when he is employed as an unskilled laborer?

Mr. RUSSELL. Yes, we do; but the native American does not apply for that kind of occupation.

Senator SIMMONS. I understood you to say when they first came some of them got only 90 cents a day.

Mr. RUSSELL. That was several years ago.

Senator SIMMONS. You now pay them, when you employ them, the same as you do Americans?

Mr. RUSSELL. We pay them exactly the same as we do anybody in that occupation.

Senator SIMMONS. What per cent of your unskilled laborers are native Americans?

Mr. RUSSELL. Unskilled?

Senator SIMMONS. Yes.

Mr. RUSSELL. I would not venture to say; very, very few.

Senator SMOOT. What per cent of your employees are skilled labor and what unskilled?

Mr. RUSSELL. I should think 50 per cent were skilled.

Senator GALLINGER. You get very few Americans now to do the work of unskilled laborers, do you not?

Mr. RUSSELL. We get none at all.

Senator SIMMONS. Can you not get any Americans to do the work of unskilled laborers in the factories?

Senator GALLINGER. They are doing work in other occupations.

Mr. RUSSELL. They have risen above that?

Senator SIMMONS. I did not understand that was the case. I thought some Americans were doing the work of unskilled laborers in the factories; but I understand you to say now you can not get Americans to do the unskilled labor in factories?

Mr. RUSSELL. I do not know of a native American doing unskilled labor in our plant.

Senator SIMMONS. The unskilled labor in your factories is performed altogether by foreigners?

Mr. RUSSELL. I should say it was; yes.

Senator SMOOT. Many of those foreigners, though, become American citizens?

Mr. RUSSELL. They become American citizens; yes. They are not native-born Americans.

Senator McCUMBER. Is that the way you divide the Americans separating them from the foreigners, as to whether they are native-born Americans?

Mr. RUSSELL. Yes.

Senator McCUMBER. We generally, of course, carry the idea of the old American stock. There are very few of those in any kind of labor?

Mr. RUSSELL. Very few.

The brief submitted by Mr. Russell is as follows:

The Underwood bill (H. R. 18642) proposes drastic reductions in duties on metal manufactures, and in our opinion seriously threatens the industry in which I have the honor to speak, the American Hardware Corporation of New Britain, Conn.

This company has an investment of upward of \$15,000,000 in the manufacture of wood and machine screws; stove and trile bolts; furniture, desk and cabinet locks; padlocks; trunk and suit-case locks; door locks; and general builders' hardware; employing 5,100 hands and distributing through its sales rolls \$2,588,000 annually. It represents but a modest percentage of the amount invested in such operations throughout the country. All the company's product would be affected by the Underwood bill, and we venture to submit certain facts and figures—incomplete it is true, but all that are obtainable—in support of the contention that the schedules of the Underwood bill, so far as they affect our industry, are framed without consideration of the varying conditions and circumstances of that industry at home and abroad, that the adoption of those schedules would seriously harm the industry in question.

Wood screws: Underwood bill (par. 38), 25 per cent ad valorem; Payne Aldrich bill (par. 189), specific duties averaging about 55 per cent ad valorem.

The principal competition to be encountered if, as we suspect, 25 per cent duty is insufficient to shut out foreign-made steel screws, will be the competition of the Germans. Their export prices are much below those of the English makers, and the latter may, accordingly, be left out of consideration. We have not any German costs to compare with our own, and we can, therefore, present only the German export prices in contrast with the factory cost of the same sizes of steel wood screws as produced in our plant:

Sizes.	Per gross.	
	German price.	American cost.
A.....	0.0367	0.037
B.....	.0473	.043
C.....	.051	.048
D.....	.071	.079
E.....	.0667	.068
F.....	.1105	.116
G.....	.122	.127
H.....	.159	.166
I.....	.245	.25
J.....	.378	.312
K.....	.472	.406

It will be seen that the German export prices parallel in curious fashion the American manufacturing costs and closely approach them. The American costs are factory costs and carry no burden of selling expense. We have the German costs of production, which the labors of the Tariff Board are in time afford us and for which we believe revision of the wood-screw schedule should wait, but the very fact that the German makers openly advertise for export at prices practically identical with American costs justifies apprehension that the Germans may be able to invade the American market despite a 25 per cent tariff, especially if they resort to their notorious practice of dumping. We contend that the rate of duty should not be fixed at 25 per cent or at any other rate until full information is at hand as to the market at home and abroad, in the light of which information alone the rate of duty should be determined.

Stove and tire bolts; Underwood bill (par. 21), 15 per cent; Payne-Aldrich bill (par. 144), 1½ cents per pound; equalling an average ad valorem duty of 25 per cent.

What has been said respecting the wood-screw schedule applies with equal force to the schedule governing bolts and nuts, where the reduction is sweeping and where the same apprehensions of German competition prevail.

Machined iron castings: Underwood bill (par. 23), 10 per cent; Payne-Aldrich bill (par. 147), 1 cent per pound; equivalent to 26 per cent ad valorem.

Under this paragraph it would be possible to send over from abroad cast-iron lock cases, caps and working parts, finished up to the point of jannanning and assembling, and in a simple assembly shop to put them together and offer them for sale in this market upon a basis of cost not more than 15 per cent over the English or German basis. Casting, drilling, and machining entail nearly the entire labor cost upon the cheaper grades of locks. What is true of locks is true of cast-iron house trimmings and of door checks, in all of which articles casting and machining constitute the chief factors of cost. This paragraph, moreover, opens a wide door to undervaluation, for the importations under it would be of dissembled and partly finished articles possessing no established market value. No standard for checking the importers' valuation being available, this paragraph invites to irregular practices.

Locks (all sorts) and builders' hardware: Underwood bill (par. 66), 25 per cent ad valorem; Payne-Aldrich bill (par. 199), 45 per cent ad valorem.

When we approach the lock and builders' hardware schedules we are again handicapped by ignorance of foreign manufacturers' costs. We can only compare the prices at which foreign makers are content to sell with our own costs of such articles, and draw the conclusion that the foreign costs of production are such as to admit the sale of foreign-made goods in our market at prices prohibitive of a reasonable profit over what we must pay for labor and material. Or again, we can compute the costs of foreign goods as made under American conditions and compare these costs with the selling prices of those goods as fixed by European makers.

In two classes of hardware we have always known ourselves to be hopelessly outclassed in competition with English and French makers—the very highest-priced French hardware, hand-chased, in which labor far transcends material is a factor of cost, and cast and wrought brass hardware of English make and of the cheapest quality, in which labor plays but a minor part. Such French goods are imported now despite the 45 per cent duty laid upon them. Their sale is limited. They are not goods that can well be made in this country. Their high price makes them noncompetitive with high-grade American hardware, and no demand has ever been made for a duty that will exclude them. We give below a comparison of such American costs and European selling prices. It should be constantly kept in mind that in the table given below the French or English figures state the selling price, which undoubtedly comprises reasonable manufacturer's profit. The American figures, on the other hand, give only the actual cost of production, with no addition for profit and with no provision for the expense of selling the goods.

Article.	Selling price.	American cost.
FRENCH HARDWARE.		
cutcheons A.....each.....	3.28	8.94
lts B.....do.....	12.71	46.94
op handle C.....do.....	2.67	7.39
ENGLISH HARDWARE.		
sin door fast D.....dozen.....	.60	1.08
or knocker E.....do.....	1.33	1.62
ch knob F.....do.....	4.09	4.80
ob, drop and rose G.....set.....	2.58	3.07
op door lock H.....dozen.....	1.76	2.33
in plate I.....do.....	.86	1.20
in plate K.....do.....	.78	1.44
in plate L.....do.....	.90	1.68
in plate M.....do.....	.40	.47
GERMAN HARDWARE.		
3 trunk lock.....dozen.....	2.26	2.45
5 trunk lock.....dozen.....	1.53	2.17
7 trunk corner.....dozen.....	.49	.57

1192 DUTIES ON METALS AND MANUFACTURES OF METALS.

The instances cited have been chosen at random from a considerable list of foreign-made goods upon which we have computed costs. Examples might be multiplied indefinitely, but as those enumerated are altogether typical, it seems unnecessary to burden the argument.

The selling prices given in this memorandum are those prevailing in the home markets of the producing countries. They are not export prices made to work off surplus product with but small regard to cost; they are the prices at which the makers sell to their own people, and it is a fair presumption that they include a fair manufacturer's profit.

The experience of Canadian hardware makers in their competition with English manufacturers affords a valuable analogy to what might occur upon our side the line were the proposed reduction of duty to 25 per cent ad valorem put in effect.

Under the British preferential tariff, locks and hardware of English make are assessed a duty of 20 per cent ad valorem. In spite of this 20 per cent tax English hardware reproducing American models is largely imported into Canada at this time and is freely offered at prices far below those quoted by either Canadian or American firms; and, indeed, Canadian manufacturers are agreed that their hardest competition is that of English manufacturers, who offer to duplicate—and do duplicate—goods of their manufacture at prices that preclude anything approximating a reasonable profit.

As illustrative of this condition we give below a comparison of our sales price with the quotations of English makers. Our price is f. o. b. New Britain and includes no duty; the English price is f. o. b. Toronto, duty of 20 per cent full paid.

Goods.	American price.	English price.
Knobs No. 3386.....	8.30	5.1
Knobs No. 21464.....	.90	.9
Locks No. 0370.....	4.50	1.6
Locks No. 382.....	9.00	1.6
Locks No. 3827 M.....	11.40	1.6
Knobs No. 386.....	5.80	1.8

	American.	English.
Iron molders.....	0.26	0.54
Iron molders' helpers.....	.16	.10
Iron coremakers.....	.21	.10
Iron grinders.....	.22	.14
Brass molders.....	.274	.15
Brass molders' helpers.....	.174	.10
Brass turners.....	.25	.17
Brass filers.....	.21	.13
Brass profilers.....	.24	.15
Brass grinders.....	.26	.15
Brass buffers.....	.25	.16
Lock assemblers.....	.25	.15
Lock fitters.....	.22-.28	.15
Lacquers.....	.15	.06
Scratch brushing.....	.11	.05
Chasers.....	.35	.20
Die and tool makers.....	.34	.19
Die sinkers.....	.36	.17
Machinists.....	.28	.14
Pattern makers.....	.30	.14
Laborers.....	.15	.10

Canadian manufacturers maintain that the irruption of English-made hardware into the Canadian market has but begun; and argue that the established duty of 20 per cent is insufficient to allow them to compete with the English on a footing of equality if the present Canadian standard of wages is to be maintained. The Canadian situation gives rise to reasonable doubt whether the 25 per cent duty prescribed in the Underwood bill is sufficient to measure the difference between American costs and conditions and those of England and Germany in the hardware and screw-making industries.

We present last as the most important consideration in any revision of tariff schedules its possible effect upon the wages of those engaged in the industry affected. The comparison given below is between average hourly rates of wages in various occupations as found in our own plants and wages in the same trades in England, published in Standard Time Rates of Wages in the United Kingdom, October 1, 1910, British Government publication.

Wide as is the difference in wages shown in this memorandum it becomes yet more striking when presented as an average for the whole industry instead of in individual occupations.

The average hourly rate of wages in our Russell & Erwin plant, producing locks, latches, keys, and other builders' hardware, is 20 cents for day workers, 19 and a fraction cents for pieceworkers. Foremen and department heads are not included. The average in England for those engaged in the manufacture of locks, latches, keys, etc., as published in Standard Time Rates of Wages in the United Kingdom October 1, 1910, is 8/9 per week of 54 hours, all working full time. This is an average hourly rate of 83 cents; more than confirmatory of the figures given in the British Government report upon industrial conditions in the United States, which makes the relationship of American wages in the engineering trades to English wages in the same trades as 213 to 100.

This startling difference is in part accounted for by the general employment of apprentices, women, boys, and girls by English lockmakers in occupations followed by men alone in this country. The report of the British board of trade for 1906 covers the wage conditions of 696 persons engaged in the making of locks and latches. Of this number 336, or 49 per cent, were apprentices, women, boys, and girls, whose full weekly wages range from \$2.50 (9/7) down to \$1.52 (6/4). Against this set the fact that out of our 1,270 operatives only 208, or 21½ per cent, were of the class above mentioned. And yet this does not measure the full difference, for it is well known in the hardware trade that there is a custom widely prevalent in England of farming out work. Under this system work is taken but of the factories and done in homes, the entire family cooperating in the work and producing it under a piecework plan at labor rates probably materially lower than those named in the above schedule. When it is considered that, taking our product, by and large, material constitutes but one-third of its cost, and the rest is labor, it becomes evident that if the new tariff should necessitate a general readjustment of our industry to meet changed conditions it is almost inevitable that wages must be readjusted also—not necessarily to the English level but to such a level as will put us on a parity with English makers in labor cost of production. The protection given by this bill—25 per cent—may be sufficient insurance against a decline to English labor rates in our trades, but it may not prove any guarantee against a marked decline from the present level of wages.

Because of the uncertainty of its effect upon both the capital and labor concerned in the screw and hardware industries, we deprecate such haphazard and unconsidered revision of the tariff as is purposed in this bill.

Our attitude in the entire matter of tariff revision is one of agnosticism—we simply do not know. We do not know, except in the most general way, what the European costs of production are; we do not know what our foreign competitors pay for raw material or for labor; we do not know what rate of duty measures the difference between the cost of production at home and abroad assures the present standard of wages in the industries in which we are interested and allows a reasonable profit without permitting the oppression of the consumer. Knowledge of all these facts should precede the fixing of any tariff rates either higher or lower than those now in force.

Therefore, in conclusion, we reaffirm our belief in the Tariff Board, or some similar governmental body, as the only agency able to collect and digest the requisite data, and we record our conviction that tariff changes should be based upon the findings of that body. We protest against the fixing of schedules arbitrarily and without foreknowledge of their effects, and we declare our readiness to accept as just and final rates of duty established in accordance with the conclusions of the Tariff Commission.

The chairman having retired, Senator McCumber took the chair as acting chairman.

Senator McCUMBER. Senator Dick, have you anyone you wish to have heard?

Senator DICK. Yes, Mr. Chairman; I would like to present and to have you hear Mr. Joseph E. Pflueger, representing the manufacturers of fishing tackle and supplies.

Senator McCUMBER. The committee will hear Mr. Pflueger now.

**STATEMENT OF MR. JOSEPH E. PFLUEGER, OF AKRON, OHIO,
REPRESENTING THE ENTERPRISE MANUFACTURING CO.**

Senator McCUMBER. Will you state your full name, residence, and business?

Mr. PFLUEGER. Joseph E. Pflueger; Akron, Ohio; representing the Enterprise Manufacturing Co., manufacturers of fishing tackle.

Senator McCUMBER. Proceed.

Mr. PFLUEGER. I came to present our view of the Underwood bill Under H. R. 18642 there has been a reduction in the tariff on our tackle on fishhooks to 10 per cent, and tackle to 30 per cent, in paragraph 34.

Senator McCUMBER. That is the reduction proposed?

Mr. PFLUEGER. That is the reduction proposed. The old paragraph, which was in the old bill, was paragraph 165, which imposed a duty of 45 per cent on fishhooks and fishing tackle. The former paragraph 165 was the first American act which collected into one paragraph, with a single rate of duty, the entire line of goods. Prior to that the duty applied as to the component chief value of the article. For instance, referring to a fly, if the component chief value of that fly was feathers, the duty applying to feathers would apply; if the chief value was a hook, the duty on wire would apply. There was great confusion by reason of that, and we were enabled to get that incorporated into the one paragraph 165. That practically put an end to all of that confusion.

I have a box here containing tackle, which I would like to present. It will give you an idea of what we make and what we term "fishing tackle." As I stated, the new bill has cut the duty on the tackle as sampled in that box, from 45 to 30 per cent; and on fishhooks, as per that box there, from 45 to 10 per cent. I want to say that if that duty should prevail it would practically put us out of business. It is impossible for us to compete against the foreign maker of that class of goods.

Senator McCUMBER. Will you explain why?

Mr. PFLUEGER. The principal competition is English and Norwegian; and, in fact, Reddish, England, is the home of the fishing-tackle industry. It was established there a good many hundred years ago, and they have been enabled to hand it down and confine it to that locality; and they have experience, and all that, which is in their favor and which makes it very difficult for us to compete with them. They pay much lower wages than we do; and the item of wages is the predominating factor in the manufacture of that class of goods.

Senator GALLINGER. Can you state approximately the difference in the wages? Have you any data upon which to found an opinion?

Mr. PFLUEGER. I have, as it is handed to me by those who have worked in those factories and who are in a position to know. I have a tabulated list here showing the difference as it now exists, as I understand it.

Senator GALLINGER. In a general way, what is the difference?

Mr. PFLUEGER. Just to illustrate, on fishing flies, which are those articles made with feather, a fly tyer gets 50 cents a day. We pay our girls \$1.50 a day.

Senator GALLINGER. Three times as much?

Mr. PFLUEGER. Yes; and we have a very difficult time in securing help even at that. That work is artistic, as you can see; requires great skill; and it takes a long time to acquire the knack of doing it.

Senator GALLINGER. Where is your manufacturing establishment?

Mr. PFLUEGER. At Akron, Ohio.

Senator GALLINGER. This English establishment, where this industry was first developed, is located where?

Mr. PFLUEGER. Reddish, English. That is the home of the industry.

Senator GALLINGER. A seacoast town?

Mr. PFLUEGER. No; it is an interior town, and in the same town they make needles. It is a great needle town, and, in fact, most of that class of work, such as pins and needles, is made at that place.

Senator GALLINGER. Will you kindly put that memorandum in the record?

Mr. PFLUEGER. I have a brief which I will, with your permission, put in the record.

Senator GALLINGER. Yes; put it in.

Mr. PFLUEGER. I will do so.

Senator McCUMBER. Does your brief cover the amount of importations to this country now?

Mr. PFLUEGER. Yes, sir.

Senator McCUMBER. Can you tell the committee at the present time, generally, the proportion of importations to the general production in the country?

Mr. PFLUEGER. As to the general production in the country, I am not in a position to give you that, but I know of the importations that are coming in.

Senator McCUMBER. They do import in considerable quantities?

Mr. PFLUEGER. Yes; as we think of considerable.

Senator McCUMBER. Are there many other establishments besides your own making this class of goods?

Mr. PFLUEGER. We are practically the only concern, as you might say, that make as full a line as you see we make.

Senator McCUMBER. How many people do you employ?

Mr. PFLUEGER. We employ from 300 to 350. We established this business over 31 years ago. It is my life's work, and my father's before me, and we have been located at Akron all that time. There are other firms in America, some in the East and some in the West, that make parts of the lines. For instance, I have in mind a certain young lady who lives at Stevens Point, Wis., who has a little factory there, and she devotes all her time just to making flies—those artificial flies—and snelled hooks, and some leaders. She does not make any spoon baits or tackle of other kinds, as I understand it. Then there is another firm that just makes fishing reels and rods, and do not make anything else. But we happen to be practically the only concern in the United States that makes a general line, as would be considered, and even we do not make a full line; we do not make rods or fishing lines.

Senator SMOOT. Have you any objection to telling the committee what you sell these bass hooks at?

Mr. PFLUEGER. There are different prices. I will make sure of the price.

The witness consulted a price list.

Senator GALLINGER. This is the wholesale price you are going to give us?

Mr. PFLUEGER. Yes; the wholesale price. Those flies on the card you have in front of you sell for \$8 a gross.

Senator SIMMONS. Would you object to telling what it costs to produce them?

Mr. PFLUEGER. I have not the cost of that particular fly, but I have another fly here. They are made in different grades. These are what we call high-grade bass flies. We make them in five or six different grades, to suit the notion of the buyer, and to suit his capacity for paying.

Senator SMOOT. What I was going to ask was this: That is 66 cents a dozen. If the consumer, or the purchaser who uses these flies, goes into a store and selects this grade, more than likely he will pay 15 or 20 cents a piece.

Mr. PFLUEGER. I would say he would pay a quarter for that fly.

Senator SMOOT. In quantities suppose we say we get them for 21 cents a piece. That is a little over 5 cents that you sell them for. Do you think, if this duty were changed from 45 to 30 per cent, the consumer could buy his fly any more cheaply?

Mr. PFLUEGER. I know he would not; I am satisfied he would not.

Senator McCUMBER. And even if he could buy it a little more cheaply, it would make such a small percentage of his general fishing expense that he would hardly take it into consideration?

Mr. PFLUEGER. The fisherman does not figure the price; he figures the quality.

Senator SMOOT. Fifteen per cent reduction on 5 cents would be three-quarters of a cent on a fly.

Mr. PFLUEGER. It would never effect it.

Senator SMOOT. And the retailer would never give him that three-quarters of a cent?

Mr. PFLUEGER. No, sir; I do not think he would.

Senator McCUMBER. These are not generally used for fishing, for the general trade at all, are they?

Mr. PFLUEGER. They are strictly a luxury for men who have leisure and money and go off to enjoy themselves. We appeal to that class of trade. They are the people who use that kind of stuff.

Senator McCUMBER. It is rather a luxury than a necessity?

Mr. PFLUEGER. Yes, sir; I would consider it so.

Senator SIMMONS. You said a little while ago you sold these for \$8 a gross. If the duty were taken off, what do you think they would sell for a gross?

Mr. PFLUEGER. If the duty were taken off I would not have an idea what we would sell them for.

Senator GALLINGER. The foreigners would be selling them then would they not?

Mr. PFLUEGER. Yes.

Senator SIMMONS. That is my question, what would they bring a gross?

Mr. PFLUEGER. I would not know that. We would have to meet that competition; whatever they would sell them for we would have to meet it.

Senator SIMMONS. You could not tell me a little while ago what it cost you to produce this thing that costs \$8. I wanted to get that, because I wanted to inquire of you later whether you added the duty to your other profit.

Mr. PFLUEGER. When we compare our goods with foreign nations, we always add the duty to the cost.

Senator SIMMONS. You add the duty?

Mr. PFLUEGER. Yes, sir; laid down in America.

Senator SIMMONS. So that in your industry you take the full benefit of the duty?

Mr. PFLUEGER. Yes.

Senator SMOOT. You have to put some of the duty on to equalize the cost, do you not?

Mr. PFLUEGER. Yes; we have to.

Senator SIMMONS. You have just said that the consumer would not get this for any less if the duty were taken off. Somebody would get it for less, would he not?

Mr. PFLUEGER. That would be the importer.

Senator SIMMONS. He buys it. You would get more for it, and somebody else would have to pay more for it?

Mr. PFLUEGER. I do not catch that, quite.

Senator SIMMONS. You said that the ultimate consumer would not get this particular product for any less if the duty were taken off.

Mr. PFLUEGER. No; I do not think so.

Senator SIMMONS. Because these things are sold by the retailer at an enormous profit anyway. The question I asked you was whether somebody, the ultimate consumer or somebody else buying in the American market, would not be enabled to get this product a little cheaper than he now gets it?

Mr. PFLUEGER. I would say he would; and that would be the importer.

Senator SMOOT. In other words, the man who makes an immense profit would have a chance to make a little higher profit than he is making?

Mr. PFLUEGER. Yes.

Senator SIMMONS. Would not the jobber make it?

Mr. PFLUEGER. That is what I mean by the importer.

Senator SIMMONS. You would compete with nobody except the importer?

Mr. PFLUEGER. Yes; the importer. I might say that some of these factories over there come into our market and solicit. Their representatives come over and sell in our markets, too. But the importer would be our competitor.

Senator SIMMONS. I would be very glad if you could get figures showing how much of these products are imported into this country.

Mr. PFLUEGER. I have that in my brief. One hundred and seventy thousand dollars worth was imported in 1911. As I stated in my first remarks, these articles were classified in the old tariff as to their

components, chief value, the material, and so on, and there was a record kept at the Treasury Department. But since this new paragraph, No. 165, of the 1909 law, went into effect, they have kept a record. But they have not classified it out. They have it lumped as an import of fishing tackles.

Senator SIMMONS. That shows the exports, too, does it?

Mr. PFLUEGER. I did not look that up.

Senator SIMMONS. Will you look that up and put it in?

Mr. PFLUEGER. Yes, sir.

Senator SMOOT. Do you export anything?

Mr. PFLUEGER. Practically nothing. The only thing we export is a wooden minnow, which is strictly confined to America, and is an American article, and it is attempted to introduce it into England but in a very small way.

Senator SIMMONS. I understood you a little while ago, in speaking about comparative wages here and abroad, to state that wages abroad were less than they were here. Then you said that you had another difficulty in competing with the foreigner, which was that they were more skillful in the manufacture of this product than the Americans. Did you mean to say that during the 31 years you have been engaged in this business you have not learned to make these things just as well as the foreigners do?

Mr. PFLUEGER. I think we do. I will say we do. But they have the benefit of the mothers. This is all done by women, the fly tying and the mothers teach the girls. Much of this work is done at home and taken to the factories and disposed of, and some of these girls' mothers will teach their daughters, and in that way they hand it down, and by reason of the industry having been so long established they are naturally better qualified.

Senator SIMMONS. You make them all in your factories?

Mr. PFLUEGER. Yes; we make practically all in our factories.

Senator SMOOT. Take these "curly" fishhooks, 100 in a box. At what price do you sell those a dozen boxes?

Mr. PFLUEGER. If you will permit me, I would like to explain the manufacture of a fishhook. It is somewhat interesting. The industry was established in this country over 30 years ago, in New Haven, Conn., but it failed. The business was unprofitable, and at that time we did not make hooks. We were in the other line. But we thought it might increase our line and help us, believing our line would help carry the burden. We purchased it at a very nominal price, and introduced it. Since that time we have been making them and improving our qualities, and doing what we could to make it a better article than it was.

The fishhook first is taken from the wire and formed and barreled into this shape; then a number of them are spread on iron pans and those pans are placed in an oven, where they are gradually heated to a cherry-red heat. From there they are thrown into a tempering oil and that oil hardens them glass hard. From there they are taken and washed in an alkali solution to remove the grease, and then they are put into a Ferris wheel, as we call it, which is a large rotary tempering oven, and the hooks are placed in there in iron pans—possibly 15 or 20 of these pans—containing as many hooks as convenient and practicable, and that wheel revolves in that hot air, which draws

he temper and hardens them to a proper toughness. After that the hooks are taken and placed in a tumbling barrel and rolled, tumbled in pumice stone and other materials necessary to remove the scale and brighten them up. Of course, as they leave those barrels, ringed hooks of that kind, they would be all tangled up in a ball. So we have to employ men to separate them, who will take a couple of handfuls of hooks and shake them apart and loosen them up. From there they are taken and placed into small pans, sheet pans, metal pans, and distributed out uniformly.

I am a little ahead of the story. They are taken from the tumbling barrel and placed in a pan and japanned, enameled, given two coats, and after each coat they are baked; and then from there they are sent up to our packing department and each sized hook is counted, 100 on a wire, and placed in those boxes. They are counted one by one, to be sure to have an accurate count, and they are packed in those boxes. Each box is labeled, as you will see; 10 of those boxes are placed in a carton and again labeled, and 5 of those cartons are again wrapped in an outside wrapper, as we call it, and labeled and shelved, and for that size there—No. 1, base sizes 12 to 1—we get 25 cents a thousand from the jobber for all of that work, including the material. In addition to that, I want to say that our manufacturing of fishing tackle in this country is done by the maker in the winter months.

Senator GALLINGER. Before getting away from the question of the hooks, you say you sell a thousand of them for 25 cents?

Mr. PFLUEGER. For 25 cents.

Senator GALLINGER. Can you tell, approximately, what the retailer gets for those thousand hooks?

Mr. PFLUEGER. He gets all he can. Sometimes he sells those hooks, at some places, two for a nickel, I understand. As I was going to say, we make all that stuff in the winter months and deliver in the spring to the jobber, who in turn sells to the retailer. Many times we make those goods and ship them in the months of November and December, and then deliver them, pay the freight, wait until April, and then take 60 days, 2 per cent cash, for our money. Those are the terms.

Senator GALLINGER. If the retailer sells them two for a nickel, while you get 25 cents a thousand, he gets \$25 or more, does he not?

Mr. PFLUEGER. He gets a good profit.

Senator SIMMONS. It takes you five minutes to sell them and it takes him a year or so.

Senator GALLINGER. He does not lose much interest on a 25-cent investment?

Mr. PFLUEGER. No.

Senator SIMMONS. That is probably true about any small article that a merchant would sell only a very small quantity of in a year. He fixes his price without much reference to what he pays for it, I imagine.

Mr. PFLUEGER. I have heard dealers in tackle say that a man who goes fishing can afford to pay for the tackle, and they figure they want all they can get out of it. I know they charge very liberally for tackle.

Senator McCUMBER. Then the figure to the consumer is seven thousand per cent above the cost of the wholesaler?

Mr. PFLUEGER. Yes, sir. I was going to say that if the duty is reduced as proposed under the Underwood bill the consumer, in my judgment, would pay just the same.

Senator McCUMBER. It would be such a bagatelle it could not be possibly taken into consideration in retailing those?

Mr. PFLUEGER. I think so.

Senator SIMMONS. You would not consider that as a reason why the Government should levy an exorbitant tariff upon these, to enable you to sell to the importer at an unreasonable price, would you?

Mr. PFLUEGER. I have a cost on that particular hook with me which does not show that we are making any unreasonable profit. That No. 1 hook there costs us 24 cents a thousand to produce.

(The chairman resumed the chair.)

Senator SIMMONS. I meant to ask you, because the retailer sells this hook by retail at an enormous profit over the price he pays, does not furnish any reason why the Government should so legislate as to enable you to charge your purchaser more than a reasonable price?

Mr. PFLUEGER. No.

Senator SIMMONS. A reasonable competitive price?

Mr. PFLUEGER. Yes.

Senator GALLINGER. You get a profit of 1 cent on a thousand hooks?

Mr. PFLUEGER. Yes.

Senator McCUMBER. That has not struck you as being very exorbitant?

Mr. PFLUEGER. No; and I never felt that 45 per cent protected us enough on our tackle.

As refers to flies, we not only have English and Norwegian competition, but we likewise have our friendly Jap to contend with. He has gone into the fishing tackle business evidently, and I have a sample of some Japanese flies here. I would like to read a letter. It will be agreeable, written August 16, 1911, soliciting business from us. It was written by the firm of N. Ojima & Son. He says:

No doubt you are aware that Japan is essentially a fishing country, and almost the whole of the seacoast population depend upon fishing as a means of gaining livelihood.

Recently some Norwegians have been obtaining their fishing tackles of all kinds from Japan, and the manufacturer of such goods having been brought up to a very high pitch, manufacturers here can produce articles fully up to European standard in quality but at much cheaper prices, and since hardly any have been exported to the United States of America yet, we think you could reap good profit if you purchase from Japan.

To this end we are to-day forwarding you samples of bamboo fishing rods and "Tegusu" lines, and inclose price list. We shall thank you to kindly report on the samples and prices on receipt.

We may mention that any kind of tackle can be made to order, and if you wish some particular kind, please be good enough to send us a sample or two when we will at once make counter samples for you and send same together with lowest prices.

They did send us some samples and I have them here, and I would like to show them to you as they were sent to me. That line on the table is what is known as "gut." It is taken from the silk worm.

Senator GALLINGER. Did this man who wrote to you quote prices?

Mr. PFLUEGER. Yes, sir. In a letter of October 30, 1911, he quoted that fly for 30 cents a gross, which, with the duty added and freight

I estimated would bring them f. o. b. Cleveland, our port of entry, at 45 cents a gross. He furnishes the material and all and delivers them to Cleveland for 45 cents a gross. I have to pay my girls \$1.80 a gross for the labor on that same fly, and then, in addition to that, I have to furnish the hooks and gut and the balance of the material.

Senator McCUMBER. And he can furnish them for what?

Mr. PFLUEGER. He offers to furnish them, and I can show you in this, which I will be glad to leave with you, for 45 cents, f. o. b. Cleveland.

The CHAIRMAN. Are these Japanese flies used in this market to any extent as yet?

Mr. PFLUEGER. Not as yet. As you see, they are soliciting us. He wrote us thinking we were a jobber, for all I know, and asked us to offer him samples and to do business with him, and that is one of the samples he submitted voluntarily.

Senator SIMMONS. Do you manufacture this yourself?

Mr. PFLUEGER. Yes, sir; that is a sample of one of the most difficult flies to make.

The CHAIRMAN. You say you make a small article like this?

Mr. PFLUEGER. Yes, sir.

The CHAIRMAN. The reason I ask is, I fish a good deal myself, and I never saw a small fly like this.

Mr. PFLUEGER. They use it principally in trout streams. Gut is the product of the silkworm, and the longer the strand the more expensive it is, and he has given them a very long strand of gut there.

Senator McCUMBER. You say it is the product of the silkworm?

Mr. PFLUEGER. Yes; it is the sack before the worm spins its cocoon, as you call it. Catgut would not do; it would get soaked in the water.

The CHAIRMAN. Is that pretty strong?

Mr. PFLUEGER. Yes, sir. It is stronger in water than dry. That gut would safely land a trout weighing a pound. Our strands are 6 inches long. The length of this one is an advantage because of the fact that a fisherman likes an invisible connection between the fly and the line, and that would really take the place of what we call a gut leader. It would answer that purpose very well.

Senator McCUMBER. You also manufacture lines, poles, etc.?

Mr. PFLUEGER. No, sir; we do not; only the baits and the hooks. We really have left that to other makers, because that is pretty much a line unto itself. Fishing poles and lines practically will take about all one firm's attention.

Senator GALLINGER. You are pretty confidently looking forward to the time when, in the manufacture of that particular article, the Japs are going to put you out of business?

Mr. PFLUEGER. Yes, sir.

Senator SIMMONS. The present tariff and the duty you are insisting upon would not protect you against that at all?

Mr. PFLUEGER. It would not. I never considered 45 per cent an ample protection for us.

Senator SIMMONS. How much would it take to protect you against that article? You said he sold it for 45 cents, and you sell it for—

Mr. PFLUEGER. It costs us \$1.85, and we offer that fly for \$3.75 a gross.

Senator SIMMONS. You would have to have several hundred per cent?

Mr. PFLUEGER. Yes. I was going to say I was not foolish enough to send him samples, as I did not want to encourage him to come into this market. I was afraid of the result.

Senator SIMMONS. Has he been sending many of those to this country?

Mr. PFLUEGER. I could not say. I do not know about that. This is a recent letter.

Senator SMOOR. Are they just beginning to manufacture?

Mr. PFLUEGER. Just beginning to open up their markets here. No doubt, as he wrote me such a letter as that, he wrote somebody else, and he must have written some men who would be interested and would follow it up. There could be only one result if they do.

Senator JOHNSON. Do you make many flies for brook fishing?

Mr. PFLUEGER. Yes; we make them for all kinds of fishing.

Senator JOHNSON. This fly [indicating] would be for a very small brook trout?

Mr. PFLUEGER. Yes.

Senator JOHNSON. Do you make a little hook like that for stream fishing?

Mr. PFLUEGER. Yes, sir.

Senator JOHNSON. To any great extent?

Mr. PFLUEGER. The western fishing is heavier trout fishing. Our best trade lies from Denver up through Colorado, up through Montana, and there is a great deal of fishing done in Utah—trout fishing—and out through Washington and all through the West. The greatest fly country is in the West; that is, different portions of it.

Senator SIMMONS. When you discover an article like that, where another nation can make it, as you say, for about one-third or one-half of what you make it here, would you suggest we put a duty on it of 400 or 500 per cent, or 300 or 400 per cent, in order to enable you to compete?

Mr. PFLUEGER. It is very evident something will have to be done or we will have to quit making it, if he gets strong enough.

Senator SIMMONS. Take this particular case, now, where you say they can make it, pay the present duty, and sell it here for 45 cents, and you can not make it and sell at a profit for less than \$3.

Mr. PFLUEGER. Less than \$3, fully.

Senator SIMMONS. That is about six times as much. Would you suggest to the committee that we put a duty on that particular article of that amount?

Mr. PFLUEGER. I would feel it would be necessary in order for us to compete against them, if they get strong enough.

Senator SIMMONS. Do you ask that of the committee?

Mr. PFLUEGER. I have not asked that.

Senator SMOOR. You have asked that the present duty be retained?

Mr. PFLUEGER. That is all I have asked.

Senator SIMMONS. That would not help you at all in this case?

Mr. PFLUEGER. No; it would not.

Senator McCUMBER. This case has not come yet?

Mr. PFLUEGER. It has not developed yet; it is gradually developing.

Senator SIMMONS. When that should come, would you ask it?

Mr. PFLUEGER. I would be compelled to; that is, if I cared to stay in the fly business.

Senator GALLINGER. If the Japanese develop that industry and put you out of business and put your associates out of business, do you think they will sell them then for 45 cents a gross?

Mr. PFLUEGER. You mean the jobber?

Senator GALLINGER. If the Japanese manufacturer develops that industry and sells them here at 45 cents a gross as against your \$3, and puts you out of business as a result, do you think he will continue to sell them for 45 cents a gross?

Mr. PFLUEGER. I do not think he would; I think he would take advantage of the situation.

Senator GALLINGER. There is no reason why he should, under those circumstances?

Mr. PFLUEGER. No.

The CHAIRMAN. After he got the American market, he would probably raise his prices?

Mr. PFLUEGER. That has been the practice in the past.

As regards those hooks, we were a factor in bringing them down. After the tariff of 1909, when we had a rate of duty of 45 per cent, we did not raise our prices; the consumer did not pay one cent more. In fact, we reduced our prices in some instances, and in no case increased them. We did not take advantage of that in any way.

Senator GALLINGER. Is your business inordinately profitable?

Mr. PFLUEGER. No, sir; it is not.

Senator GALLINGER. Is it paying you large dividends?

Mr. PFLUEGER. No. We did not pay any dividends until last year. That was the first one. We paid 10 per cent that year.

The CHAIRMAN. How many concerns are there in this industry?

Mr. PFLUEGER. As I stated a little while ago, practically only two that make a line as complete as ours, a firm by the name of E. A. Pflueger, a brother of mine, who is located in Akron, and ourselves.

The CHAIRMAN. There are a good many small concerns that assemble the material?

Mr. PFLUEGER. They make parts; but the whole line, as shown here, is made by ourselves and the other firm.

Senator SIMMONS. You say you have been in this business 31 years and never paid a dividend until last year?

Mr. PFLUEGER. Until last year.

Senator SIMMONS. How have you been living?

Mr. PFLUEGER. This was a family affair; two brothers and my father, who is now dead, and myself have been associated, and we have worked very hard.

Senator SIMMONS. You must have had some profits of some sort out of the industry. You would not have kept it up 30 years without profit.

Mr. PFLUEGER. We got our living out of it.

The CHAIRMAN. You got your salaries out of it?

Mr. PFLUEGER. We got our salaries. We are all employed in the business. But it has not been a profitable business.

The CHAIRMAN. You paid no return on the capital invested, but got a compensation for your work?

Mr. PFLUEGER. It is not even a fair compensation.

Senator SIMMONS. What sized salaries do you pay yourself?

Mr. PFLUEGER. Up to within three years ago I got \$100 a month, and prior to that I got \$50 a month. I now get \$3,000 a year.

Senator SIMMONS. You did not devote your whole time to the business for that salary, did you?

Mr. PFLUEGER. Yes, sir. I have devoted my entire time for over 30 years to that business.

Senator SMOOT. What are you drawing now?

Mr. PFLUEGER. Three thousand dollars.

Senator SMOOT. And if you did not do the work you would have to employ a man to do it?

Mr. PFLUEGER. I surely would.

Senator SMOOT. And you could not hire a man for less than that?

Mr. PFLUEGER. It may sound a little conceited, possibly, but I could not hire a man to do my work for \$3,000.

Senator SIMMONS. When you got from fifty to one hundred dollars salary you were paying no dividends; now you are getting \$3,000 salary and you are paying dividends. What has caused this wonderful improvement in the business that enables you to double your salary and also pay dividends?

Mr. PFLUEGER. Year before last and last year we made a little money.

Senator SIMMONS. What has brought about that wonderful change?

Mr. PFLUEGER. We were protected. We had a very prosperous year—a good, prosperous year.

Senator SIMMONS. You said you were protected?

Mr. PFLUEGER. Yes; by this duty.

Senator SIMMONS. Had you not been protected before?

Mr. PFLUEGER. Prior to that we were not so well protected—that is, the old tariff, as I said, on hooks was practically, on many sizes, no tariff at all. It was brought in under the old paragraph 137, which brought hooks in under pound rates, and there was no paragraph as applied to fishing tackle.

Senator SIMMONS. Are the imports now less than they used to be?

Mr. PFLUEGER. They are more, so far as we have record. We have only two records of imports since the new paragraph went in—1910 and 1911. It shows an increase over 1910.

Senator SIMMONS. You really had more thorough control of the American market when you were getting this low salary and making no profits than you have now, when you are making a good salary and paying dividends?

Mr. PFLUEGER. No; I do not think we have any better control.

Senator GALLINGER. Let me ask you, did you make 10 per cent dividends on the profits of last year, or was it cumulative? Have you laid aside some profit each year, and then at the end of this long period declared a 10 per cent dividend?

Mr. PFLUEGER. Yes, sir; we decided to.

Senator GALLINGER. That is the way some manufacturers do.

Senator McCUMBER. I suppose during this time you have increased the size of your establishment, put some of your earnings into betterments, additions, etc.

Mr. PFLUEGER. Yes, sir.

The CHAIRMAN. How many people do you employ?

Mr. PFLUEGER. About 300.-

The CHAIRMAN. Men and women?

Mr. PFLUEGER. Men, women, and boys.

The CHAIRMAN. Is that all?

Mr. PFLUEGER. That, I believe, is all.

The CHAIRMAN. Put your brief in at the end of your remarks.

The letter and brief referred to by Mr. Pflueger are as follows:

N. OJIMA & SON,
IMPORTERS AND EXPORTERS AND GENERAL COMMISSION AGENTS,
Kobe, Japan, August 16, 1911.

The ENTERPRISE MANUFACTURING Co.,
Akron, Ohio, United States of America.

DEAR SIRs: We found the name of your good selves in the July (1911) issue of the American Exporter, and take the liberty of addressing you with a view to doing business with you in fishing tackle and fishing rods.

No doubt you are aware that Japan is essentially a fishing country, and almost the whole of the seacoast population depend upon fishing as a means of gaining livelihood.

Recently some Norwegians have been obtaining their fishing tackles of all kinds from Japan, and the manufacture of such goods having been brought up to a very high pitch, manufacturers here can produce articles fully up to European standard in quality, but at much cheaper prices, and since hardly any have been exported to the United States of America, yet we think you could reap good profit if you purchase from Japan.

To this end, we are to-day forwarding you samples of bamboo fishing rods and "Tegusu" lines, and inclose price list. We shall thank you to kindly report on the samples and prices on receipt.

We may mention that any kind of tackle can be made to order, and if you wish some particular kind please be good enough to send us a sample or two, when we will at once make counter samples for you and send same, together with lowest prices.

Trusting that you will favor us with an early and favorable reply, and hoping that good business will result in due course, we are, dear sirs,

Yours, faithfully,

N. OJIMA & SON.

CURRENT QUOTATIONS FOR JAPANESE FISHING LINES "TEGUSU."

Samples have been sent you by this mail.

No. 1, "Tegusu," at \$0.40 gold.

No. 2, "Tegusu," at \$0.40 gold.

No. 3, "Tegusu," at \$0.60 gold.

No. 4, "Tegusu," at \$0.80 gold.

No. 5, "Tegusu," at \$1.05 gold.

Prices per 100 pcs. c. i. f., optional points of United States of America.

E. & O. E.

N. OJIMA & SON.

CURRENT QUOTATIONS FOR YELLOW BAMBOO FISHING RODS.

Reference samples have been sent you by this mail.

Yellow bamboo fishing rods:

10-foot length-----	\$1.50
12-foot length-----	2.12
14-foot length-----	2.73
16-foot length-----	3.63
18-foot length-----	5.45
20-foot length-----	6.15

Prices above given are to be understood per 100 pcs. c. i. f., usual optional points of United States of America, in United States gold.

E. & O. E.

N. OJIMA & SON.

1206 DUTIES ON METALS AND MANUFACTURES OF METALS.

N. OJIMA & SON,
IMPORTERS AND EXPORTERS AND GENERAL COMMISSION AGENTS,
Kobe, Japan, October 30, 1911.

The ENTERPRISE MANUFACTURING Co.,
Akron, Ohio, United States of America.

DEAR SIRs: Many thanks for your favors of September 20 and 23, also various samples duly to hand.

Bamboo winders: By this mail we have sent you various samples as instructed, and inclose herein price list. When the samples reach you, please examine them thoroughly and send us orders. If you should require further samples, please let us know and we will send them to you.

Floats: We will report further in due course.

Fishing-rod handle stocks: We are also looking into this matter, and we will report further in due course.

Reimbursement: In the event of order resulting we presume you will make such arrangements whereby we would obtain cash at this end on handing over our draft and shipping documents to our bankers.

Other goods: Kindly let us know what other goods you handle in the way of imports from Japan or China, for it is just possible that we may be able to do business to our mutual satisfaction.

Your goods: We shall also be glad if you will please inform us what goods you manufacture. If possible, we should like to receive a copy of your catalogue, a perusal of which would give us a very good idea as to whether we can buy any of the articles you make.

Fly hooks: We are sending you further samples of these and hope to receive your orders.

Awaiting an early reply from you, we are, dear sirs,

Yours, faithfully,

N. OJIMA & SON.

QUOTATIONS FOR JAPANESE FLY FISHING HOOKS.

Samples have been sent you under separate cover.

Ref. No. 1437/1, fly fishing hook, at gold, \$0.21 per 100 files.

Ref. No. 1437/2, fly fishing hook, at gold, \$0.24 per 100 files.

Prices above given are to be understood per 100 hooks, f. o. b. Kobe.

Packed in small wooden boxes, each containing 100 or 200 hooks, and packed in ordinary cases.

E. & O. E.:—

N. OJIMA & SON.

PRICE LIST OF SPLIT CANE WINDERS.

Your stock No. 100, 5 by 1½ by ¾ inches, f. o. b. Kobe, at 2.86 yen per 1,000 pcs., or at ex. 50, gold, \$1.43 per 100 pcs.

Shipping particulars.—Freight rate from Kobe to Akron, Ohio, gold, \$25 per 100 pounds weight gross. Marine insurance: F. P. A. rate from Kobe to A. C., ¼ per cent (about). Packed in bales, each containing about 5,000 pcs. Weight: Gross, 200 pounds avoirdupois; net, 194 pounds avoirdupois.

NOTE.—The weight and packing above given are approximate.

Consular invoice.—Each invoice must bear a consular fee of \$2.50 (yen, 50¢).

E. & O. E.:—

Stock No. 101, 5½ inches, f. o. b. Kobe, at 2.86 yen per 1,000 pcs., or at ex. 50, gold, \$1.43 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 5,000 pcs. Weight: Gross, 215 pounds avoirdupois; net, 209 pounds avoirdupois.

Please refer to stock No. 100.

Your stock No. 102, 6 inches, f. o. b. Kobe, at 2.86 yen per 1,000 pcs., or at ex. 50, gold, \$1.43 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 5,000 pcs. Weight: Gross, 240 pounds avoirdupois; net, 223 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Stock No. 103, 6½ inches, f. o. b. Kobe, at 2.86 yen per 1,000 pcs., or ex. at 50 gold \$1.43 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 5,000 pcs. Weight: Gross, 242 pounds avoirdupois; net, 236 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Tortoise bamboo, 5½ inches, f. o. b. Kobe, at 2.44 yen per 1,000 pcs., or at ex. 50, gold, \$1.22 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 10,000 pcs. Weight: Gross, 205 pounds avoirdupois; net, 200 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Tortoise bamboo, 6 inches, f. o. b. Kobe, at 2.44 yen per 1,000 pcs., or at ex 50 gold, \$1.22 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 10,000 pcs. Weight: Gross, 280 pounds avoirdupois; net, 273 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Stock No. 104, 7 inches, f. o. b. Kobe, at 3.52 yen per 1,000 pcs., or at ex 50 gold, \$1.76 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 3,000 pcs. Weight: Gross, 158 pounds avoirdupois; net, 151 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Stock No. 105, 7½ inches, f. o. b. Kobe, at 3.52 yen per 1,000 pcs., or at ex. 50 gold, \$1.76 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 3,000 pcs. Weight: Gross, 160 pounds avoirdupois; net, 154 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Stock No. 106, 8-inch, f. o. b. Kobe, at 3.52 yen per 1,000 pcs., or at ex. 50 gold \$1.76 per 1,000 pcs.

Shipping particulars.—Packed in bales, each containing 3,000 pcs. Weight: Gross, 168 pounds avoirdupois; net, 161 pounds avoirdupois.

Please refer to stock No. 100.

E. & O. E.

Stock No. 400, 4½-inch, f. o. b. Kobe, at 2.48 yen per 1,000 pcs., or at ex. 50 gold \$1.24 per 1,000 pcs.

Shipping particulars.—Freight rate from Kobe to A. O., gold \$2.25 per 100 pounds weight gross. Marine insurance: F. P. A. rate from Kobe to A. O., ¼ per cent (about). Packed in cases, each containing about 9,000 pcs. Weight: Gross, 230 pounds avoirdupois; net, 140 pounds avoirdupois.

The weights and packing above given are approximate.

Each invoice must bear a consular fee of \$2.50 (5.02 yen).

E. & O. E.

Stock No. 401, 5½-inch f. o. b. Kobe, at 2.54 yen per 1,000 pcs., or at ex. 50 gold \$1.27 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 7,700 pcs. Weight: Gross, 225 pounds avoirdupois; net, 144 pounds avoirdupois.

Please refer to stock No. 400.

E. & O. E.

Stock No. 402, 5½ inches, f. o. b. Kobe, at 2.54 yen per 1,000 pcs., or at ex. 50 gold, \$1.27 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 7,700 pcs. Weight: Gross, 246 pounds avoirdupois; net, 128 pounds avoirdupois.

Please refer to stock No. 400.

E. & O. E.

1208 DUTIES ON METALS AND MANUFACTURES OF METALS.

Stock No. 403, 6 inches, f. o. b. Kobe, at 2.60 yen per 1,000 pcs., or at ex. 50 gold, \$1.80 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 6,400 pcs. Weight: Gross, 236 pounds avoirdupois; net, 146 pounds avoirdupois. Please refer to stock No. 400.

E. & O. E.

Stock No. 404, 6½ inches, f. o. b. Kobe, at 2.60 yen per 1,000 pcs., or ex. at 50 gold, \$1.30 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 6,400 pcs. Weight: Gross, 250 pounds avoirdupois; net, 168 pounds avoirdupois. Please refer to stock No. 400.

E. & O. E.

Stock No. 405, 7½ inches, f. o. b. Kobe, at 3.30 yen per 1,000 pcs., or ex. at 50 gold \$1.65 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 5,100 pcs. Weight: Gross, 193 pounds avoirdupois; net, 127 pounds avoirdupois. Please refer to stock No. 400.

E. & O. B.

Stock No. 406, 7¾ inches, f. o. b. Kobe, at 3.30 yen per 1,000 pcs., or ex. at 50 gold, \$1.65 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 5,100 pcs. Weight: Gross, 220 pounds avoirdupois; net, 137 pounds avoirdupois. Please refer to stock No. 400.

E. & O. E.

Stock No. 407, 8½ inches, f. o. b. Kobe, at 3.30 yen per 1,000 pcs., or ex. at 50 gold, \$1.65 per 1,000 pcs.

Shipping particulars.—Packed in cases, each containing about 5,100 pcs. Weight: Gross, 237 pounds avoirdupois; net, 147 pounds avoirdupois. E. & O. E.

N. OJIMA & SON.

MEMORIAL OF THE ENTERPRISE MANUFACTURING CO., AKRON, OHIO.

[In re duty on fishhooks and fishing tackle.]

To the honorable Committee on Finance, United States Senate.

GENTLEMEN: Paragraph 165 of the present tariff law imposes a duty of 4 per cent on fishhooks and fishing tackle. The House bill under consideration (H. R. 18642) reduces the duty on fishhooks to 10 per cent, and on all the other kinds of fishing tackle named in the paragraph to 30 per cent, paragraph 34.

Your petitioner, the Enterprise Manufacturing Co., of Akron, Ohio, protests against the proposed reduction on the ground that it would benefit neither the Government nor the consumer, but will work serious damage to the American manufacturers, and in the case of fishhooks will entirely destroy the present domestic industry and prevent their further manufacture in this country.

HISTORY OF THE PRESENT LAW.

The present tariff law is the first American tariff act which collected into one paragraph with a single rate of duty, and specifically named, the principal articles known to the public as fishing tackle. The necessity of such paragraph was urgent and it was demanded alike by the domestic manufacturers and the customs administrative officers. Not a single article of fishing paraphernalia was named in prior tariff laws in terms with which fishermen were familiar. Great confusion and uncertainty prevailed in the enforcement of these tariff laws with reference to such articles and different rates of duty were imposed at different customhouses on the same kind of goods.

For several years after the tariff act of 1897 was passed the bulk of the fishhooks imported was assessed the average rate of duty charged by that law as furnished adequate protection. Then came an administrative ruling by which fishhooks were changed to another classification, which made them practically duty free, contrary to the evident intent of the framers of the law.

The tariff act of 1909 put an end to all this confusion and uncertainty. Paragraph 165 named the principal articles commonly known as fishing tackle and fixed a uniform rate of 45 per cent. The former rates varied from 25 per cent to 60 per cent, and the new rate was very little, if any, increase over the average of the rate intended to be charged in the prior law.

OPERATION OF PARAGRAPH 165.

It is impossible to secure any figures as to the importations of fishing tackle under former laws. The volume of the importations of fishing tackle and the duties paid are available for the period covered by the present law and are as follows:

Year.	Importations.	Duties paid.
1910.....	\$152,924.76	\$68,816.13
1911.....	170,755.77	76,840.09

The importations of fishing tackle the past year practically equaled the sales of fishing tackle goods made by your petitioner in the same period, and the undersigned is the largest manufacturer of such goods in the United States. There are several other concerns making various kinds of fishing tackle, but very few which manufacture a complete line of such goods. Your petitioner is the largest domestic manufacturer of fishhooks.

WHY THE PRESENT DUTY SHOULD BE RETAINED.

A box of samples is herewith submitted containing various kinds of fishhooks, artificial flies, fishing baits and lures, swivels, snelled hooks, sinkers, and sundry other articles of fishing tackle; also a box containing 1,000 fishhooks put up in 10 boxes of 100 hooks each, which is sold to the jobber, freight prepaid, for 25 cents.

The manufacture of this line of goods is of comparative recent origin in this country. The market was controlled by the foreigner for so many years that his goods had acquired a reputation and a prestige it is hard to overcome. In the case, particularly, of fishhooks, many jobbers report a prejudice against the domestic product. This can only be overcome in time.

If the domestic manufacturer can continue to enjoy the protection afforded by the present law, he can maintain a market, although the competition from abroad is keener now than before the act of 1909 was passed. In addition to English competition, we are now feeling severely the effect of Norwegian competition. The domestic product is fully as good as the foreign, but we have the active opposition of the largest jobbers, who can make more money handling English hooks and who only buy of us when they have a demand for fishhooks which must be filled immediately.

We have advanced the prices of none of our goods since the present law was enacted, but, on the other hand, some prices have been reduced, owing both to domestic and foreign competition. The cost of some of the foreign goods has decreased since 1909. Every domestic manufacturer is a keen competitor of every other domestic manufacturer, and there has never been any combination among us.

There is even greater reason now for imposing a tariff of 45 per cent on all these goods than there was in 1909. While the wire for fishhooks costs about the same now as then some of the material we use is much higher now, while wages have steadily increased and the cost of the labor is greater. Since 1909 Ohio has passed a law prohibiting girls 18 years of age and under from working over 8 hours a day, and the workday for women has been limited to 9 hours a day. Before that law was passed their workday was 10 hours. We employ female labor to wind the artificial flies and to make much of the tackle you see before you, and it is all high-priced labor, earning from \$1.50 to \$1.75 a day on piecework. Inexperienced girls we hire to learn the trade were formerly paid 75 cents a day while learning. At present we have to pay from 85 cents to \$1 a day. In England the same labor is paid 72 cents a week. Two

1210 DUTIES ON METALS AND MANUFACTURES OF METALS.

years ago we paid the forewoman in our fly-making department \$10 a week. At present we pay her \$50 a month.

The following table gives a comparison of the wages paid American and English labor engaged in making various kinds of fishing tackle. It illustrates the severe handicap under which the domestic manufacturer suffers, because the labor cost of some of his goods runs as high as 50 per cent. The English wage scale for 1909, which is given below, was obtained from sources that can be considered reliable. We are advised by the same authority that there has been no increase since then in the wages paid English operatives. On the other hand, it will be noted that there has been a considerable increase in the American wage scale since 1909.

Comparison of wages between English and American workpeople.

In the manufacture of—	English wages per day, 1909.	American wages per day.	
		1909	1912
GUT LEADERS.			
Forelady of tying leaders.....	\$0.50	\$1.25	\$1.50
Tying of gut leaders (expert).....	.35	1.00	1.50
Packing gut leaders (expert).....	.35	1.00	1.50
SNEELED HOOKS.			
Forelady of snelled hook department.....	.50	1.35	1.50
Tying snells, girls (expert).....	.40	1.00	1.50
Forelady for packing snells.....	.50	1.25	1.50
Packers, girls (expert).....	.35	1.00	1.50
FISHING FLIES.			
Forelady fly-tying department.....	.83½	2.00	2.00
Fly tyers (expert).....	.50	1.50	1.50
Forelady of packing department.....	.50	1.35	1.50
Packers, sewing flies on cards, etc. (expert).....	.40	1.25	1.50
FISHHOOKS.			
Foreman of hook-making department.....	1.75	4.00	4.00
Workman, hook-making department.....	1.25	2.50	2.50
Foreman of tempering department.....	1.75	2.50	2.50
Workman, tempering department.....	1.25	2.25	2.50
Foreman of tumbling department.....	1.25	2.00	2.50
Workman, tumbling department.....	1.00	1.75	2.00
Foreman of jappanning department.....	1.25	2.50	2.50
Workman, jappanning department.....	.75	1.75	2.00
Forelady of packing department.....	.48	1.25	1.50
Girls, packing department.....	.33	1.25	1.50

The kinds of fishing tackle you see displayed here can hardly be called necessities. They are luxuries, and those who buy can easily afford to contribute what little they do to the United States Treasury. The margin of profit to us on the box of plain hooks you see here is less than 1 cent a box and over one-half the cost is labor cost.

The English manufacturer can turn out the same goods at 19½ cents a box. Reduce the tariff to 10 per cent and the foreign hooks can be sold here at 21 cents a box, or 2½ cents a box less than they cost us.

The same argument can apply with equal force to the proposed reduction of tariff on all articles in the paragraph except fishhooks. These goods are luxuries and are not consumed by the poor. The present rate of duty is a good revenue producer. Lowering the duty might not increase the revenue but certainly would cripple the American manufacturer and lower the scale of wages paid the American laborer.

We therefore respectfully petition for the retention of the present rate of duty set forth in paragraph 165 of the tariff law.

Respectfully submitted.

THE ENTERPRISE MFG. CO.,
By J. E. PFLUESER, Vice President

STATEMENT OF MR. W. S. ROGERS, OF BANTAM, CONN., REPRESENTING THE BANTAM ANTI-FRICTION CO.

The CHAIRMAN. The committee will hear Mr. W. S. Rogers, representing the Anti-Friction Co., of Bantam, Conn.

Mr. ROGERS. Mr. Chairman, I would like to also add that I am an importer and represent the Beusch Kugelagerfabrik and Gebruder Heller, of Leipzig.

You will excuse and pardon my plain method of speech.

The CHAIRMAN. Go on in your own way.

Mr. ROGERS. I was going to say the inventor of this bill, the Underwood bill, but I will say instigator of it, to use an old expression, possessed the brain of Napoleon and, as an American citizen, the intellect of a louse.

The CHAIRMAN. You evidently have convictions on this subject, Mr. Rogers, and the committee will be glad to hear you.

Mr. ROGERS. I have. I have heard a great many questions asked here, and am very sorry my friend Senator Williams is not here, for I think he needs an education in manufacturing. I also might add that by profession I am a mechanical engineer. I have been 22 years a member of the S. M. E. For 30 years I have been going around the United States, moving from place to place so often that I have been able to vote but once or twice for a presidential candidate. I am not a Yankee, not a wild and wooly Westerner; I was born in Pennsylvania. I have handled labor from Maine to Mississippi, from the skilled Yankee to the skilled Westerner, in Buffalo, Cleveland, Cincinnati, even to the highly skilled Virginia "nigger" in a sawmill, and I pretty nearly know this labor question, and also the manufacturing question.

I went to Germany in 1909, because I had found that the German import was smashing our business, even with 45 per cent duty. I found and knew of one young man who had been an employee under me when I was in the ordnance department at Watervliet Arsenal, who had gone to Germany a poor devil and had come back an importer of the same line of stuff as I was making, and was boasting that he had, as importer, made from \$100,000 to \$150,000 from 1905 to 1909; and he was able to run a better automobile than I was. There was something in it.

I will give you my experience in Germany. I have been there twice; I am going again this year. Personally, as far as I am concerned individually, I would not give 2 cents for the tariff in America, on or off. If it was not for my workmen in Bantam, Conn., and my stockholders there, I would convert everything that I have, that I could put my hands on, into good cold coin of the realm and go to Germany and live the rest of my life, and never work a lick, and have 10 times more fun than I have here, and a better time: because there I could drink beer that would not create a booze, and I could get a quart of it for 2½ cents, and it would be all beer; while here you get an inch in the glass that is, as my friends over in Germany say, "schlop."

The CHAIRMAN. You would miss the presidential elections.
[Laughter.]

Mr. ROGERS. No; we have better times over there.

Senator GALLINGER. More socialism.

Mr. ROGERS. The socialist of this country is not the socialist there. The socialist in Germany is a man who is trying to create government economies. The socialist here is trying to destroy the Government.

I went to Germany and, going over, I found a thing that our Government is very shy upon. There was a German on the ship, and he and I made friends and were roommates—a jolly good fellow to tell stories. He knew everybody in Danbury, 36 miles below me, and said he was sorry he did not get up to meet me. But he had a very imperial walk about him, and I noticed that the sailors and officers treated him with a great deal of respect. As we landed my German friend came down in full uniform, a member of the German army, and everybody stood at salute. Then he and I went to Hamburg, and from there to Berlin. He was the younger son of a family. He had come over here, a college graduate, 10 years before, after his military training, had gone up to Danbury and worked as a laborer, and learned the hat business thoroughly. When the hat strike came on at Danbury he had come over to investigate conditions; also, as he told me, to take, incidentally, about \$30,000 worth of orders for German hats exactly like the Danbury hat. He had come over here—and his expenses had been paid by the Government—to investigate our conditions. That night in Berlin I attended a “bund,” or a club, as we would call it, and I had a royal good time. Among other things we discussed Teddy Roosevelt and the Kaiser, and the question of war between Germany and America. One old German said, “War between America and Germany? No, Rogers, no. Thirty years on the throne and never a shot fired. The war is going on now. You will see it. You talk of us coming over and bombarding Boston. When you are compelled to equalize your wage rate with the German wage rate and your tariff is gone, then is when we will bombard Boston, and we will be damned sorry.” And that is a fact.

At Leipzig I found a man in charge of a factory manufacturing the same thing I do looking for an American outlet. Fifteen years before he had been in America, was naturalized, married here, had three American-born children, and had been in this same business. I knew him when he was in America. He had gone to England, had two English-born children, and now he is in Germany, with three German-born children, still retaining his American citizenship.

I stayed there for a week or two. I take their output and compete in this country against my other German competitors. So far as competing against my American manufacturer in this country goes, even the big concern here in Philadelphia, with its \$5,000,000 of capital, I can even scratch my German competitors to such an extent that another German house, with a representative now in New York, wants to know if I will not cut loose from my Leipzig friends and take their output. The question of American competition is out of it, and I will show you why. On the annular type of ring bearing the cost in my own factory is 90 cents. I can take that bearing from Germany, 45 per cent duty paid, and they paying all the freight and the consular fees paid, and all I do is to cough up the 45 per cent, and I can sell that right in New York for 80 cents and make money.

Take the steel-ball question. A friend of mine who has been a manufacturer of steel balls for years in this country came to me

last Sunday morning and said, "Why do you not buy balls for your factory up in Bantam, Conn., from me and give me a show?" I said, "Make your price." He said, "You are not a patriot; you are not a friend to your country." I said, "Make your price, Tom, and I will buy of you." He said, "What size?" I said, "Any size. Name the size; what is the best you can do?" "\$2.10 per thousand." "Well, I will give you another guess. Fetch it down again." He said, "That is the best I can do; I have got to make a living." I said, "All right; I will sell you the same thing for \$1.98 and deliver them to you in Philadelphia. You can shut your factory up, get your product cheaper from me, and make more money."

Why is that? Because Germany as a Government is protecting the Empire, while our Government is trying to protect the local fellow in each State. There they have a common desire to protect the Empire. The Saxon hates the Prussian to such an extent that he would like to see him sick abed half the time, but when it comes to the good of the 60,000,000 people in that little Empire it is "Protect all of them," and the Government works hard to do it.

We will take another size. The lowest I can produce that for in my own factory in Bantam is \$36, and I have skilled labor; I have got Germans, Swedes, and Americans. My unskilled labor consists of one Scotchman, getting \$2 a day; one German, getting \$1.75 a day, and complaining because he can not get \$2, and my Virginia nigger.

The CHAIRMAN. How many men do you employ?

Mr. ROGERS. Here in Connecticut?

The CHAIRMAN. In your works.

Mr. ROGERS. In our works out here we employ 60 men. In Germany I employ—that is, my company employs there—about 120. Our output this year and our income, according to the income-tax schedule that I swore to the other day, lets our Government get, I think, \$3.06 on me as an income-tax proposition.

Senator SMOOT. Corporation tax?

Mr. ROGERS. Corporation tax. Take this annular ring bearing here. It would cost me \$36 to make it, and I can sell the German article from my place for \$25.10, and then make some money. Now, why? In Germany, in Leipsic, we will find two lathes, standing side by side. One is made in Vermont and the other a duplicate of it, is made in Germany, and you can not tell one from the other, the German mechanic and engineer has produced it so well. The mechanic at work there works 11 hours for his day's work. My man works 8, 9, or 10 hours, as the rush calls for. But on the 10-hour basis my man gets from \$3 to \$3.25 per day. That man over there gets \$1.60 to \$1.75 a day.

Senator GALLINGER. For 11 hours?

Mr. ROGERS. For 11 hours' work; and he turns out more work than my man does, too, in the 11 hours on the hour basis, for this reason, which I can explain by a thing that happened in our factory when I came back in 1909. One day I went up to one good, jolly fellow that had been working for me for six or eight years, and I told him, "You are not as good a man as I have got in Germany." "Why?" "Well, this morning I have noticed you leave your work there and go down and speak to Bill four times; you have borrowed two chews of to-

bacco from this man over here, and every time you have shut down your machine. Now, over in our German works the man there never whistles or sings. He gets in at 7 in the morning and goes to his machine, and he stays there, except when forced to go away for a few minutes by the necessity of nature, which is probably once during the forenoon, and he does not waste any time. He is right on the job." "Well," he says, "this is America. This is not Germany." He says, "I have got a right to live, and I have got a right to speak." We are up against that. That is brought on by those centuries of German obedience to the law. I know all these things, for I have worked in that factory. I took my clothes off and got into the German overalls and got in and worked on things.

In the steel department there the man puts up about one-half more than my men do on the night shift.

The CHAIRMAN. What is your position in that company now?

Mr. ROGERS. I am president and general manager of it.

The CHAIRMAN. What is the capital of your company?

Mr. ROGERS. The capital is \$50,000. That is the capital stock. Our invested capital is \$103,000, and the question now comes up this year, and we are going to declare the first dividend.

The CHAIRMAN. How old is the company?

Mr. ROGERS. In our present location we have been seven years next May.

The CHAIRMAN. Have you never declared any dividend before?

Mr. ROGERS. No, sir; we have put all our money into improvements. After I made my first trip to Germany and came back we tore down our furnace buildings and put \$12,000 into new furnaces, new apparatus, and new plant. We even bought German testing instruments, such as they had in Germany. We did that after I came back in 1910. We tore down a lot of stuff, scrapped a lot of machinery, and put in German methods. I found, after I got back in 1910, that my German director, as he is called, had taken advantage of my methods, after my talk with him, and had made another advance. He asked me what I thought of the rivet grinders, made up at New Brighton, near Boston. I said, "They are very good. I have two of them." "Do you like them?" "Yes." They are a precision machine, and they cost a lot of money. I said, "I have two of them and I like them very much." In 1910, in going through our factory at Leipsic, I saw a lot of machines, and I walked down the line and looked at them. The only difference between the machine made in Boston and the German machine was this, that the German machine stood on an iron base. He said, "How do you like them?" I said, "Fine." He said, "Those were made here." I said, "I will tell you one thing, they are better made." He said, "That machine has been running for six months and its has not been touched. You told me that the trouble was with the belts, on the America machine; that you replaced two a day." "Yes." "We have replaced none." Certainly not; it is a better machine. I said, "I would like to have them in my factory over there." "Well, you can buy them."

That machine in this country lists at \$600, 10 per cent off to me when I buy it in Boston. They offered to duplicate those machines in Germany, at Weimar, for \$280, and it is very easy to see why. The labor question does it.

Now, you say, "How does that laboring man live over there?" I took three of our workmen out in Leipsic one day for lunch, between 12 and 1 o'clock. We went across to a beer garden.

I told them they not bring their lunch; I was going to put up the feed. We got over there, and each man ordered—and I ordered with them—a liter of beer, which is about that much [indicating large bottle of water]. Before that was brought on, the *kellner* brought first to each fellow a chunk of bread about that big [indicating], a piece of butter equal to that [indicating envelope on table], doubled twice, a chunk of sausage, and a piece of cheese. We kept talking and discussing Germany and America. One man wanted to come to America some day, because he thought he could get more money over here than there. I told him he was a fool for leaving his land. I said, "You will get more money, but you will be a darned fool for going, because you will learn to spend it." Then we drank the beer. We sat there for three-quarters of an hour before we finished the bread and cheese and *bratwurst*. Then I said, "What next?" One good fellow said, "Nothing more." Another said, "I have enough." I said, "Will you not have something more?" "No." I paid for what we had had. It cost 40 pfennigs; 40 pfennigs is 10 cents in American money; 10 pfennigs is 2½ cents. Show me the American workman that I can take out and feed on that proposition for a noonday meal, or any meal.

You go through the streets of Schweinfurth, and there is a big ball-bearing factory there employing about 5,000 or 6,000 men. At a quarter to 7 in the morning you see the little tots going to school with their knapsacks on their backs. The knapsack is to teach them to walk straight, to hold them straight, and to make them walk straight and make soldiers out of them. They are in a hurry.

You go through the streets of Schweinfurth and of Stuttgart, and in the back streets, where the workers live, here is what you will find: A kid, 4 or 5 years old, gets hungry about 10 o'clock and goes in the house and asks its mother for something to eat. The old lady gives it a piece of black bread and butter, and it starts down the street, eating. Half way down the street it has got all that it wants to eat. It does not do what we teach the American kid to do—throw it at the dog. It trudges back to the home and puts what is left on a shelf. It is taught to economize.

At our ball factories at Marienthal-by-Schweina the school is out at 1 o'clock for the girls and at 2 o'clock for the boys. The boys spend one hour at military training, and then they go down to the factories to work from that time to half past 6, sorting balls and tying bags, because the balls are all packed in bags there. They work there four or five hours, and some of them get 10, some 20, and some 30 pfennigs, anywhere from 2½ to 7½ cents, for the afternoon's work. Now, that is not done for the sake of the money that they earn, but it is to teach those children to always be doing something.

But the profit come right in the factory.

In that same place they have a big knife works. On rainy days the women come in from the fields where they have been digging ditches and working outdoors, and they go into the factories, sorting knife handles, arranging things, and keeping busy. As I said to my friend, "If you had a rainy season over here, I do not know what you

would do; all your farm hands would come in here in the factories to work." He said, "Oh, well, we would make a big stock and store it, and some day you Americans would buy it." You can not compete with them. He said, "We have got you. You might as well come over here to live. We have got you." And so they have.

There is the element of a duty. My friend Williams sat here the other day and talked about high tariff in Germany. That tariff looks like the Rocky Mountains, but there are gaps in it. There is an elegant tariff on vichy. There is no tariff on apollinaris. One is made in France and the other in Germany. There is an elegant tariff on glass bottles—"Keep them out." There is no tariff on Swedish iron—"We need it." The tariff is off what they need; on what they can not make, what they have to buy, they make it low. Things that they can not compete with from the other countries, they keep them out.

Senator GALLINGER. That is our theory in this country.

Mr. ROGERS. Our theory?

Senator GALLINGER. Yes.

Mr. ROGERS. Yes.

Senator GALLINGER. The protective theory.

Mr. ROGERS. Before election.

Senator GALLINGER. No; I would not agree to that. That has always been preached.

Mr. ROGERS. I have another illustration. Last year Judge Nickerson, of Connecticut, went over with me. He was going to buy a good razor for \$5—a genuine old Sheffield. We got down to Solingen. That is a great place there for cutlery. I said, "Judge, here is where you want to buy your razor." He said, "Rogers, get away with that truck. I have no use for Germany, and I have no use for you because you want to come here and live. I am an American citizen." I said, "Yes; that is because we sent you to the legislature three times. But here is where you want to buy your razor." "No, sir." In the Strand, in London, two days before we sailed, he bought his razor, a genuine Sheffield proposition, and he paid \$5 for it, and he said, "That beats your old German proposition for—what was it you said—5 shillings?" I said, "Six shillings." He said, "Here it is. Do you want to look at it?" I said, "No; I am busy." On the ship he was making out his schedule to go through the customs as light as possible, and he gave a yell and gave a good cuss word. I said, "What is the matter, Judge?" He said, "Did you see that razor?" I said, "No." He said, "Look at it." I looked at it, and the blade said "Sheffield," and on the box it said, "Made in Germany."

You can buy the penknife that I hold in my hand in Solingen or Heilbron for 15 cents in American money. You can buy it on the Strand in London for a shilling and a quarter. You can buy it from the importer in New York for from 50 to 75 cents. Such knives are made by women and children after school hours, the majority of them. The difference comes in high and low wages.

In one factory that I was going through there was a young German in the drafting room, and he came over and shook hands with me, and he said, "I never expected to see you in Germany." I said, "I do not remember you." "I worked for you in Boston when you were

in the ball-bearing business." "You did?" "Yes." I recalled my draftsmen that I had had there. There was no face like his. I said, "Why, I do not remember you." "Well, you did not see much of me, you know, but I know you"; and he described the factory. I said, "That is right; but what did you do there?" "Oh," he said, "I worked in the stock room, and I swept the floors and helped sort over the bearings and the balls." "You could not have worked there long." "About six months; and then I went to Providence." "Well, that was 10 years ago," I said. "I am very glad to see a young man come up from the bottom, as you have, to the position you must occupy here." He said, "This is very nice, but, you know, I was a graduate of the university before I went over there." Show me your American graduate that is going out to get us information. Why not? The Government will not help him. We sit here and talk about it, and read the books, but we do not go there to find out. The Germans know everything in this country that is going on. Their representatives are here, in New York, now. The representatives and the heads of the German manufactories of ball bearings are there. There is not one of them coming down here.

I told our German president in a letter that I would probably come down to Washington to see about this tariff business, and he said, "We have nothing to say on that matter, whatever." Now, I can understand that, with my German factory. I can undersell them, with your duty of 45 per cent on steel balls, now. Still, the great head that got up this bill wanted to make it 15, 25, because he does not know; because he would not know a steel ball from a piece of shot.

There is another thing I can do on this importation business. I will bring culls into this country by the pound and undersell you again. I love my country, but I love a dollar a little better to-day, because I am 60 years old. I sat and heard the boys going to war, and I was a patriot then. Now I want pay for it. You want to reduce the annular ring-bearing duty. Take it on page 44.

Senator SIMMONS. Before you get to that, would you tell us what per cent of the balls that you speak of which are consumed in this country are imported from Germany?

Mr. ROGERS. Imported? I can tell you I used this year about 10,000,000 steel balls, and about 10 per cent of those I purchased in this country myself, because my shipments did not get over in time, and I had to have them to deliver orders.

The CHAIRMAN. Where did you get the balance from?

Mr. ROGERS. Some from out in Michigan and some from over here in Philadelphia. I am buying steel tubing imported from Germany because I buy it for 10 cents, while the American tubing I have to pay 12 cents for.

Senator SIMMONS. I was not speaking of the balls you consume individually, but my question was addressed to—

Mr. ROGERS. What they used?

Senator SIMMONS. No. My question was addressed to the idea of the proportion of balls consumed in this country that are imported.

Mr. ROGERS. You can not get that, because they ship over a great many balls here by the pound that are culls, and the hardware man sells them for the same price. For instance, if your wife wanted to get two or three little steel balls for a sewing machine or some part

of it, she would go to a hardware store and she would probably pay 5 cents apiece for those balls; but the importer brought those in here and sold them by the pound, and there are about a million of them in a pound, and they sell for something like 20 cents a pound. They are what we call "culls." They have a defect in them, but you can not find that defect. You have got to trust to the honor of the manufacturer of a steel ball. You can not tell by looking at it whether it is an A No. 1 high grade, a second, or a cull.

Senator SIMMONS. Suppose you take all the balls that are produced in this country and all the balls that are imported into this country; I wanted to know what proportion are produced here and what proportion are imported. I would like to have that information, if you can give it.

Mr. ROGERS. You can not get the imports, because with every ball bearing that we bring in, we bring the balls with it that go in there. For instance, we are equipping our Connecticut factory with ball bearings on the line shafting for the purpose of saving coal and fuel and electric power. The cast-iron box is made in Connecticut. The bearing itself I bring in from Germany, because I can not make the same proposition for the same money. My machinery is there; I have got it; I can make another one just like it, but I can not make one for that price, nor can I make a dozen.

My superintendent at Bantam, Conn., gets \$2,500 a year handling 60 men and taking care of the material accounts. The superintendent of our German factory, who does exactly the same duties, gets \$1,100 in American money.

Senator SIMMONS. I have here a table showing the amount of consumption in this country of antifriction balls. In 1910 the value in dollars of the imports was \$1,326,922. The production in 1910 was \$32,483,000 and the consumption was \$34,124,575, so that there was between the production in this country and the consumption in this country a difference of only about \$2,000,000.

Mr. ROGERS. I beg your pardon; what was that production, in this country, of steel balls?

Senator SIMMONS. Antifriction balls.

Mr. ROGERS. Steel balls—that is what you mean.

Senator SIMMONS. I do not know what this means.

Mr. ROGERS. That is what it means. That is an antifriction ball.

Senator SIMMONS. The production in 1910 here is given as \$32,483,000.

Mr. ROGERS. \$23,000,000, is it? That is of steel balls produced in this country?

Senator SIMMONS. This is for 1910. I read that wrong. It should be production \$32,483,000. The consumption was \$34,124,575.

Mr. ROGERS. I do not care anything about what your consumption was, but I want to tell you right here that there are five factories in this country making steel balls to-day, and they were not all in business in 1910—that is, the factories producing steel balls. There are five manufacturers. Of those five so-called ball factories, one produced nothing in 1910 that was salable, because they undertook to make a product that would be cheaper than the American import and they fell down. Instead of making a cheaper product, they made a bum article, and made it cost twice as much. The other

concern was not in position for that work. Whoever gave you those figures has got them all wrong. It would be impossible, from the capitalization and the arrangement of those ball factories, for them to put out \$32,000,000 worth of steel balls in a year.

The CHAIRMAN. Where are those figures taken from?

Senator SIMMONS. From the report of the House committee, under Schedule C, "Metal and manufactures of." It is supposed to be taken from the Statistical Bureau. I do not know where they got it. It further shows that in 1910 the value of imports into this country was \$1,326,922. In 1911 the imports had fallen off, and amounted to only \$1,082,894.

Mr. ROGERS. Now, you say, Why did they fall off? 1911 was a bad automobile year. There was not the demand for them. In 1911, last year, in Germany we had one factory there with a condition arising that you do not have in this country. Here we have strikes. Over there they have no such proposition, as a rule. They get it sometimes; but in our factory they had a lockout. That is, our factory was not involved in it. Our mechanics there were not finding any fault about the wages that they received. But another factory in another line of manufacture in the same city was having trouble with its workmen, so that all the members of that convention or that bund in that town shut down all the other factories and locked them up. They did that for this reason: This fellow here, we will say, is having trouble, and his people want to strike. They are demanding more pay. These other four employers close down with him, so that their employees can not furnish any of the sinews of war to keep these fellows living while they are having the fight. There was a lockout in our place last year.

Senator SIMMONS. I discover that under the article from which I was reading, "Antifriction balls," it says "Total, paragraph 5," and the figures I gave include something else.

Mr. ROGERS. That is what I inferred yesterday when my friend Williams tackled another proposition. The man on the witness stand here did not know. There are a whole lot of the statements you put back at the witnesses here that are not so; and that man did not know how to prove it. But when you come to the anti-friction ball-bearing proposition I know it, because I am the pioneer in this country.

Last year was a dull year in a great many respects, in our business, and we spent our time and our profits improving our methods. This coming year I am going to Germany to see if they have got any improvements, because our German people over there say "We have every Yankee trick and we are waiting for the next one." It is a fact; they are here learning. Their people work and live for that. They are more contented. They have centuries of training in obedience to the law.

Senator GALLINGER. There is a great deal of unrest in Germany, though, is there not?

Mr. ROGERS. Unrest, for this reason. They have a lot of wealth there. The higher classes are rolling in wealth and the middle classes are rolling in wealth, but the lower classes are beginning to realize that they are the ones who are ground up in the big wheels. Our friend Gompers made the statement, after he came back from six

months' study of German problems, in respect to the labor problems there, that owing to the conditions existing in Germany it would be a long time before they could unionize that country, and the reason for that is the pension system. When the Iron Chancellor laid down the system for Germany, he laid down as perfect a system as has ever been devised. I am an American and I like to brag that we are the greatest people on the face of the earth, but the man that goes over there and comes back here and says that our country is the greatest in the world is either an ignoramus or a fool.

Here is your pensioner, a man working here, and I say to the workmen "What is he getting?" "That man? He gets \$1.25 a day." "How can he live on that? What is he going to do when he gets old? How is he ever going to buy a house and lot?" "Why, if he had the money, where is the house and lot? He can not buy it." "What will he do?" "He has a pension." So much every week is taken and set aside for the pension of that man, to take care of him when he gets old.

Senator SIMMONS. It is his own money, really, though, is it not, that is set aside for him?

Mr. ROGERS. Oh, well; but he does not catch onto that; and we can not go over and tell him. It is his own money, to a certain extent. There is a certain percentage of his income goes into it.

That man lives with a wife and three children in the city. I have been at his house. I have been to the houses of many of them, not only in the large cities but out in the country. I can buy all of this man's furniture in that house for \$20 in American money, but the house is as clean as a pin. He spends his evenings and nights trying to win that prize out in the suburbs for having the best garden. He walks to and from work, even if the car fare is only 2½ cents. We go out there in the evening and sit down in his shady house that he has rented from the city for two or three marks, and he works hard to win that 10-mark prize, and his children are out there digging and scratching around in the garden. The first thing is, we pull out the bottles of beer, and have a good time. Then we visit around among the neighbors, and then he walks back to the city.

Senator GALLINGER. In those rural communities where they have those little gardens and houses, the houses are mere shacks, very small, and they must be very uncomfortable, it seems to me.

Mr. ROGERS. Those gardens are around the large cities.

Senator GALLINGER. Yes.

Mr. ROGERS. Now, when you get out into the country, as we would call it, there in the little villages the houses are pushed close together, with a stable and cow house in one end, and the family in the other.

Senator GALLINGER. That is rather the European custom.

Mr. ROGERS. When they get back from work at night each family does not go into its own house and start its own fire, but three of them will use one frau's house, because there is no need of wasting fuel. They economize in that way. Everything is for economy, to save, and live as cheap as you can. They are satisfied, and that is a good way to live.

The CHAIRMAN. The committee will have to adjourn now. Have you something further, Mr. Rogers?

Mr. ROGERS. I do not know that I have, personally, anything further. There is one thing; as I said before, if this bill goes through.

if this proposition goes through, it means that our Connecticut factory shuts down. Those workmen who have bought houses and lots can do as they please with them.

The CHAIRMAN. The hearings are now closed on the metal bill. The chairman will consult the convenience of the members, and arrange at an early date for an executive session on the bill itself.

The committee will now go into executive session, and the clerk will clear the room.

At 12.45 o'clock p. m. the committee went into executive session.

[Recorrugated boiler furnaces, Schedule C, metals and manufacturers of, clause 151.]

THE CONTINENTAL IRON WORKS,
New York, March 6, 1912.

HON. BOIES PENROSE,

Chairman Senate Finance Committee, Washington, D. C.

SIR: The Continental Iron Works, located in the borough of Brooklyn, city of New York, is engaged in the manufacture of what is known as corrugated boiler furnaces, an article which constitutes an important part of steam boilers for both land and marine use, and desires to enter its protest against any further reduction in the tariff on this article from that which now exists, viz, 2 cents per pound.

The Continental Iron Works has constructed and installed, at large expense, the machinery necessary to produce corrugated furnaces, but the demand for this product is limited, and during the best of times is not great enough to approximately reach the producing capacity of the plant. Improvements in machinery and methods of production have been continually made, so that at the present time the cost of furnaces has been reduced to a minimum, but it is not possible to meet the low price of similar articles made in European countries, due to cheaper material and labor, and if any further reduction is made in the present tariff on corrugated furnaces (viz, 2 cents per pound) it will be absolutely necessary to discontinue their production.

The Payne tariff reduced the duty on corrugated furnaces from 2½ cents per pound to 2 cents per pound, a reduction of 20 per cent, and at this rate a very considerable importation of corrugated furnaces exists, as is shown by the record of imports for the last two years, as follows:

Year ending June 30, 1910:

Weight, pounds.....	307, 186
Value	\$13, 658. 53
Duty	\$6, 143. 72
Unit value, cents, per pound.....	. 044

Year ending June 30, 1911:

Weight, pounds.....	350, 490
Value	\$15, 336. 00
Duty	\$7, 009. 80
Unit value, cents, per pound.....	. 043

After there is added to this unit value a duty of 2 cents per pound and the ocean freight, it is possible to sell foreign furnaces in this country at 6½ cents per pound, and there is every reason to believe that many foreign furnaces have been sold in the United States at even a less price.

A careful analysis of the cost of production of corrugated boiler furnaces by the Continental Iron Works during the last three years shows it to be 6.3 cents per pound, or practically the selling price of the foreign article. When to this cost is added a reasonable manufacturer's profit, it is only by maintaining an exceedingly high standard of excellence of product and furnishing the article promptly that the Continental Iron Works is able to hold its position and it can readily be seen that if any reduction is made in the present tariff

on corrugated furnaces the difference in prices of the domestic and foreign-made article will be so much greater than at present that it would not be possible to meet the foreign competition and the production of this particular article must be abandoned.

In view of the foregoing, an earnest protest is respectfully made against any reduction in the tariff on corrugated furnaces, as it would work an irreparable injury to an American industry which has been established at large cost, the closing of which would entail serious loss to its promoters and deprive a considerable number of skilled mechanics of their means of livelihood, and request that if any change be made in the iron and steel tariff the clause relating to corrugated furnaces be retained the same as at present, viz:

"* * * welded cylindrical furnaces made from rolled plate metal, when corrugated, ribbed, or otherwise reinforced against collapsing pressure, two cents per pound: * * *"

Respectfully submitted.

THE CONTINENTAL IRON WORKS,
THOS. F. ROWLAND, Jr.,
President.

[Safety pins: Referring to Schedule C, paragraph 188, of the Payne bill and paragraph 67, page 80, of the Underwood bill.]

WATERBURY, CONN., March 6, 1912.

The honorable Committee on Finance,
United States Senate, Washington, D. C.

GENTLEMEN: This schedule includes safety pins and many other articles in which we are not interested, consequently no statistics as to importations can be compiled for the purpose of comparison, and unless safety pins can be separated from the other articles in the schedule it is impossible for us to suggest a rate of duty that would be fair to the schedule as a whole.

Safety pins are made of steel and of brass wire. The values of the wires are widely apart, the steel being worth practically \$3.80 per 100 pounds and brass \$16.37½ per 100 pounds. Labor for the production of safety pins, whether made of steel or of brass wire, is practically the same, so it might be said that 35 per cent duty is more than is needed on certain safety pins if made of brass and far less than is needed on certain safety pins if made of iron.

We do know that under this duty of 35 per cent there is a large quantity of cheap iron and brass safety pins imported at prices with which we can not compete, and it is certain that the reduction of this duty from 35 to 20 per cent would largely increase importations and force the domestic manufacturers to discontinue the manufacture of the lower grade of steel safety pins with which we are not able to compete at a profit.

We therefore urge that the duty of 35 per cent be continued until such time at least when it is deemed wise to separate safety pins from this general schedule.

I have looked over the examinations of witnesses by the committee, and will endeavor to anticipate questions that might be asked, as far as possible.

Our competition comes from both Germany and England. The comparison of wages paid is as follows:

Operators of automatic machines:	Per week
England.....	\$10.00
Germany.....	7.50
United States.....	20.00
Women employed for packing goods, or "bench work" so called:	
England.....	2.00
Germany.....	2.75
United States.....	8.00-9.00

Tenders for automatic machines, both in England and Germany, women are paid not exceeding \$3.50 per week, as against boy tenders in this country, who

receive from \$7.25 to \$9 per week. We do not consider it safe to employ women for this work.

The percentage between labor and material is as follows:

Brass safety pins: Labor, 37 per cent; material, 63 per cent.

Iron safety pins: Labor, 60 per cent; material, 40 per cent.

These figures are compiled by using strictly the money paid out for productive labor and for the actual material which we purchased, and do not include any of the indirect or overhead labor charges necessary to the production of safety pins; neither do they include any portion of the labor that may enter into the manufacture of wire, boxes, paper, etc., which is considered a part of the raw material that we purchase. If we did include that part of the labor which enters into the overhead or indirect charges, the percentage in both cases would be greater, but as we manufacture a number of other lines of goods, and the difficulties in proportioning these overhead charges are well known, we have ignored them, in order to make this statement absolutely correct.

It is impossible to suggest an ad valorem duty which will justly cover brass safety pins in all their sizes, and iron safety pins in all their sizes. For example, brass safety pins figured on the basis of the American, English, and German labor costs would show that to bring the English cost up to the American, it would be necessary to add 46 per cent, and to bring the German cost up to the American, it would be necessary to add 53 per cent.

To bring the cost of the English safety pins up to the American, if made of steel wire, would require 83 per cent added, and the German safety pins, 96 per cent added. If a duty could be made at 7 cents for every gross of safety pins, whether of steel or of brass, it would cover the case exactly.

The direct labor cost for manufacturing all sizes, either of brass or steel, is practically the same, the only difference being in the amount of material used.

In all of the figures submitted, it is assumed as I have said before, that the raw material, or item of stock, costs the foreign manufacturers the same as the American, which on the face of it is incorrect, and something should be added to cover that portion of labor which enters into this item.

One of the greatest things to be considered lies in the fact that if the duties are reduced and importations allowed to come in, it works both ways, making a reduction in the volume of business, and largely increasing the cost of production.

AMERICAN PIN CO.

GEO. A. DRIGGS, *President*.

(Representing the following concerns: Consolidated Safety Pin Co., Bloomfield, N. J.; Oakville Co., Oakville, Conn.; The F. Kelly Co., Derby, Conn.; Vulcanite Manufacturing Co., Lindenhurst, N. Y.)

[Wire hairpins. Payne bill; this refers to Schedule C, par. 188. Underwood bill, par. 57, p. 80.]

MARCH 6, 1912.

The honorable Committee on Finance, United States Senate.

GENTLEMEN: Wire hairpins are included under paragraph 57, page 80, of the Underwood bill; in which are included many items that we do not manufacture or know anything about. These goods are not of large importance from a standpoint of dollars and cents. The average capital invested in this country, according to our best belief, is only about \$300,000; the number of people employed is approximately 350, of which about 80 per cent are women, and 20 per cent are men. Our competition with foreign goods is very keen, and were we better protected than at present, the output in this country would be largely increased, as there is a large amount of these goods imported annually; just how many, however, can not be determined so long as this item remains in the present miscellaneous schedule. The fact that labor enters so largely into the cost of preparing these goods for the market, makes it impossible for us to compete at a profit on many lines, and should the proposed reduction prevail, it would mean that the American manufacturers of wire hairpins had best close their plants and give up the field to Germany and England.

We therefore pray that the present duty of 35 per cent ad valorem may be retained until such time as Congress may be ready after due investigation to

place a just and proper duty on this line of goods, which can only be done in our opinion, by separating this item and putting it in a schedule by itself with a specific as well as an ad valorem duty, 35 per cent as at present on cabinet or boxed goods and 3 cents per pound and 35 per cent ad valorem on pound goods.

There apparently is needed at present to cover the difference between labor abroad and our own a duty of 48 to 65 per cent; for instance, the average style of hairpin cabinet, as manufactured and sold, costs us \$3.40 per gross boxes (of which \$1.44 is material and \$1.96 labor, or labor 58 per cent and material 42 per cent). The cost in England of similar labor is approximately 65 cents; material, \$1.44; entire cost, \$2.09; to which add 10 per cent for profit, equals \$2.30; \$2.30, plus 35 per cent, equals \$3.10 cost to land; \$2.30, plus 48 per cent, equals \$3.40, our cost; \$2.30, plus 65 per cent, equals \$3.90, our selling price; \$2.30, plus 20 per cent, equals \$2.76, proposed cost to land.

The largest importations are on the pound goods or small "penny rolls," which cost us \$5.05 per hundred packs of 16 rolls each, of which \$2.22 is labor and \$2.83 material; or, labor, 44 per cent; material, 56 per cent. Cost in Germany of similar labor is approximately 55 cents; material, \$2.83; entire cost in Germany equals \$3.38; add 10 per cent for profit, equals \$3.72; \$3.72 (our estimate), plus 35 per cent, equals \$5.02 cost to land (but are actually landed here at \$4.75); \$3.72, plus 36 per cent, equals \$5.05, our cost; \$3.72, plus 20 per cent, equals \$4.46½, proposed cost to land; \$3.72, plus 56½ per cent, equals \$5.82, our selling price. Jobber's price to retailer, \$10 (profit 73½ per cent); retailer's price, \$16 (or 1 cent per roll); profit, 60 per cent.

What we urgently need on this particular class known as "pound goods" is 3 cents per pound and 35 per cent ad valorem duty. We could then double our output; pay our labor better wages; our increased output would reduce our costs, so we could, while selling at the same price, pay a fair return on capital invested.

All I wish to say further is that there is no demand for this proposed reduction from the consumer, as there is no possible benefit thereby to them. Hairpins largely reach the consumer in two ways; one is a small roll, as above referred to, containing 13 to 28 hairpins, according to length, which we now have to sell the jobbers for 5.82 net per hundred packages of 16 rolls each. The jobbers, in turn, sell these to the retailer at \$10 per hundred packages, or 72 per cent profit. The retailer charges the consumer 1 cent per roll (60 per cent profit).

The other method is where they are put up from 100 to 200 in a fancy box or cabinet, referred to above, for which the jobber pays us on an average of \$3.90 per gross boxes, which in turn go to the retailer at an average of \$4.80, or 40 cents per dozen (26 per cent profit), and are sold to the consumer at 5 cents per box (50 per cent profit).

Therefore it is perfectly apparent that a slight difference of only 3 to 4 cents per dozen in the cost to the jobber, by virtue of a reduction in duty, will make no difference in the 5-cent price the consumer will have to pay, the jobber and retailer having simply increased their already liberal profit.

No reduction in cost of the small penny rolls will ever cause them to be sold for less to the consumer. Again, the jobber or retailer, or both, reap the benefit, and in both cases no one suffers but the American manufacturers, and in turn the labor employed, if foreign competition is to be met, and we are to hold what proportion of the wire hairpin business we already have.

THE STAR PIN CO.,
GEO. E. BARBER, Treasurer.

NEW YORK CITY, March 6, 1912.

HON. BOIES PENROSE,

Chairman Committee on Finance, Washington, D. C.

DEAR SIR: The bronze powder manufacturers of the United States have carefully examined the Underwood bill revising the tariff on metals and earnestly protest against the reduction in duty on bronze powders.

About one-half of the bronze powders sold in this country are imported, which proves that the present rates of duty are none too high, and if the rates are reduced to the point contemplated in the Underwood bill, this industry can not be conducted on a profitable basis.

DUTIES ON METALS AND MANUFACTURES OF METALS. 1225

If the duty should be determined by an ad valorem rate, as in the Underwood bill, further injury would result, owing to the ease with which undervaluations could be accomplished.

We do not think a long argument is needed to convince your committee that this industry must have rates of duty at least as high as in the Payne law; and we have decided to place our main reliance on the cost figures, which we submit with this statement, compared with the landing value of foreign bronze powders, showing as they do that even, under present rates of duty we can make but a small profit and can not secure what we consider a fair share of the American trade.

Yours, respectfully

AM. BRONZE-POWDER MFG. Co.,
HENRY AHLBORN, *President*.

THE BRONZE POWDER WORKS Co.,
(formerly Carl Schlenk.)
BAER BROS.
GEORG BENDA.

Cost of manufacturing 100 pounds of bronze powder.

Raw material.....	\$20. 00
Cutting.....	. 41250
Separating.....	. 04583
Schroting.....	1. 14851
Separating.....	. 12761
Stamping.....	1. 12240
Sifting.....	. 14029
Acending.....	. 14029
Polishing:	
First operation.....	. 19776
Prepared to lac, second operation.....	. 09888
To lac, third operation.....	. 09888
Weighing.....	. 50746
Nonproductive labor:	
Engineer, fireman, and foreman.....	. 92537
Machinery repairs.....	. 31597
Factory repairs.....	. 18657
Sundry mill expense:	
Fuel.....	1. 14925
Material for machine repairs.....	. 38552
Material for factory repairs.....	. 35075
Water and light.....	. 21642
Oil and waste.....	. 19030
Material used in manufacture: Lard, aniline, sterine, acids, oils, petroleum, etc.....	. 30783
Insurance and taxes.....	. 67508
Incidental expenses:	
Packing material, labels, and cases.....	1. 86300
Freight and cartage.....	1. 00000
Discount.....	. 86000
Office and stock, salary, and managerial expense.....	2. 05000
Sundry office expense.....	. 65800
Depreciation.....	2. 62700

Total cost of making 100 pounds of bronze powder..... 37. 80147

Average foreign value for 100 pounds since passage of Payne law..... 29. 15
Average landing value per 100 pounds since passage of Payne law..... 41. 15

The above cost figures have been carefully prepared by the signers of this statement, who are bronze-powder manufacturers in the United States.

Yours, respectfully,

AMERICAN BRONZE-POWDER MANUFACTURING Co.,
HENRY AHLBORN, *President*.
BAER BROS.
GEORG BENDA.
The BRONZE POWDER WORKS Co.
(Formerly Carl Schlenk)

FEBRUARY 24, 1912.

1226 DUTIES ON METALS AND MANUFACTURES OF METALS.

Imports of bronze powders.

	Quantity.	Foreign value.	Unit foreign value.	Duty.	Unit landing value.	Ad valorem.
Year ending June 30, 1908:						
6 cents per 100 leaves.....	641,537.00	\$70,550.00	\$.109	\$38,492.20	\$.169	54.50
12 cents per pound.....	1,360,177.00	468,978.00	.345	163,221.24	.464	34.90
		539,528.00		201,713.44		37.36
Year ending June 30, 1909:						
6 cents per 100 leaves.....	734,728.00	74,456.00	.101	44,083.68	.161	59.11
12 cents per pound.....	1,335,139.50	419,905.00	.314	160,216.74	.434	34.18
		494,361.00		204,300.42		41.32
Year ending June 30, 1910:						
6 cents per 100 leaves.....	779,687.50	80,217.00	.103	46,781.25	.162	54.32
12 cents per pound.....	1,856,011.25	557,549.50	.300	222,721.35	.420	39.95
		637,766.50		269,502.60		42.25
Year ending June 30, 1911:						
6 cents per 100 leaves.....	808,219.00	84,357.00	.104	48,493.14	.164	57.65
12 cents per pound.....	1,557,070.00	455,029.00	.292	186,848.49	.412	41.65
		539,386.00		235,341.63		31.63

PERU, ILL., March 6, 1912.

HON. BOIES PENROSE,

Chairman Finance Committee, United States Senate.

Washington, D. C.

DEAR SIR: The zinc sheet manufacturers of the United States have very thoroughly examined the tariff provisions contained in H. R. 18642, and are compelled to protest against the bill, being reasonably sure that such a law would force an immediate heavy reduction in wages or closing of the zinc sheet mills.

Under the Payne law, by careful management, we have been able to obtain a small degree of protection, but the rate of duty proposed in H. R. 18642 destroys this protection, making it possible to sell imported zinc sheets in the United States at a price with which we can not compete.

To the end that you may understand what the exact situation would be should this bill become a law we show by the following official statistics the selling price at the present time of zinc sheets made in the United States, compared with the landing price of imported sheets, and the result if the duty was 15 per cent ad valorem, as proposed in H. R. 18642:

Under Payne law 1912:

London price of zinc sheets per 100 pounds.....	\$6.53
Duty.....	1.63
Ocean freight.....	.24

Landing price at port of New York.....	8.40
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Selling price of American zinc sheets, per 100 pounds, at port of New York.....	7.92
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Giving protection to American-made zinc sheets of \$0.48 per 100 pounds.

What the result would be under H. R. 18642:

London price of zinc sheets per 100 pounds.....	\$6.53
Duty.....	.95
Ocean freight.....	.24

Landing price port of New York.....	7.75
-------------------------------------	------

Selling price of American zinc sheets per 100 pounds, at port of New York.....	7.92
--	------

Showing foreign zinc sheets could undersell American zinc sheets \$0.17 per 100 pounds.

In other words, destroying all of our protection and giving the foreign manufacturer a bounty of \$0.17 per 100 pounds.

Under previous tariff laws zinc sheets have been protected by a rate of duty over spelter of 50 cents per 100 pounds under the Dingley law and 25 cents per 100 pounds under the Payne law, which would be reduced to 12 cents per 100 pounds under H. R. 18642, an amount inadequate to equalize the cost of labor here and abroad in making zinc sheets from spelter.

We can not believe that a lengthy argument is necessary to convince your committee that H. R. 18642, if it becomes a law, would absolutely destroy the zinc-sheet industry in the United States, as by the figures shown, we prove conclusively that this bill would not only entirely remove our protection, but give imported zinc sheets an advantage over our product of 17 cents per 100 pounds.

We have been unable to obtain any data showing the foreign cost of making zinc sheets, but have in our possession facts and figures showing market conditions in the United States for some years past, which we will furnish to your committee, if desired.

Very respectfully, yours,

ILLINOIS ZINC CO.,
By THOS F. NOON, *President*.
MATTHIESSEN & HEGELEB, ZINC CO.,
By J. R. ZIMMERMANN, *Superintendent*.

[Hooks and eyes: Referring to par. 50 on p. 70 of the Underwood bill.]

WATERBURY, CONN., March 6, 1912.

The honorable Committee on Finance, United States Senate.

GENTLEMEN: We note that it is proposed in the Underwood tariff bill to make the duty on hooks and eyes 15 per cent ad valorem, and it is our belief that if such a duty is established it will be impossible for any manufacturer of hooks and eyes to continue to make and market them in this country, as past experience will prove.

Under the McKinley tariff hooks and eyes were included in the so-called "basket" clause, which carried a duty of 45 per cent, and the protection was supposed to be approximately 49 cents for a great gross of hooks and eyes, but experience proved that from undervaluations, and the dumping of foreign goods into this market, there was nowhere near 49 cents a great gross collected by the Government from duties on hooks and eyes. The importations of hooks and eyes during the time this duty was in force were very large, although it is impossible to tabulate them, for the reason that they were not specifically mentioned, but the facilities of this country for the manufacture of hooks and eyes were not more than half employed during that time.

In 1897, when the tariff question was again agitated, the matter was taken up with Senator O. H. Platt of Connecticut, and a request made that hooks and eyes be taken from the "basket" clause, and be specifically mentioned, and that a specific duty be applied in place of the ad valorem duty.

Under the tariff act of 1897 hooks and eyes were specifically mentioned, and a duty of 5½ cents per pound specific and 15 per cent ad valorem established, which gave us protection to the amount of 37 cents per great gross as against 49 cents under the McKinley tariff. For the year ending June 30, 1898, the importations were 237,867 pounds of hooks and eyes, at a valuation of \$43,666, and during that year the domestic manufacturers started their machinery and increased the output very materially, with the result that in 1901 the importations were but 63,572 pounds, at a valuation of \$15,033, and the importations became less year by year until 1909, when there were imported but 11,486 pounds, at a valuation of \$2,507.

Then, in March, 1910, the Payne bill became a law, with hooks and eyes paying a duty of 4½ cents per pound specific and 15 per cent ad valorem, and at this time the styles of hooks and eyes had so changed that the smaller numbers of lighter weight came into vogue, which in itself was an automatic reduction of the duty on this basis, the labor costing the same, but the weight of materials very much less, with the result that under this bill the duty was reduced from 37 cents to approximately 33 cents per great gross of hooks and eyes, and during that year after this bill was passed, there were imported 19,318 pounds at a valuation of \$5,741; during 1911, 54,463 pounds, at a valuation of \$15,583, and we are in receipt of a report for the month of January, 1912, showing there were imported 9,796 pounds, which is at the rate of 117,552 pounds per year, which would seem to prove that even at the present duty the hook-and-eye

business would soon go to the foreign countries and be a repetition of what we had under the McKinley tariff.

And now it is proposed to cut off entirely the specific duty and give us only a protection of 15 per cent ad valorem, with the possibility of undervaluation, the result of which would be to cut the present duty 50 per cent, giving us protection, on the average, of 16½ cents per great gross, as against 49 cents under the McKinley tariff, 37 cents under the Dingley tariff, and, on the same sizes, 33 cents under the Payne tariff. And under such a tariff the manufacturers of this country can not produce, in our opinion, 33½ per cent of the goods which they are now producing and selling, the cost being necessarily much higher owing to this decrease in production.

Investigation of the statistics of importations and values of hooks and eyes shown under section 50 of the Underwood bill are without value, so far as the real effect of the duty is concerned, when applied to the different classes of hooks and eyes, as they are imported in bulk and with varying numbers of hooks and eyes upon cards, made of brass and of steel wire, the cost of which differs materially where the ad valorem duty would make a serious difference in the cost, although the actual labor cost would be precisely the same, whether of brass or of steel, which we venture to say is proven by the fact that in 1905 there was imported 37,215 pounds, at a value of 0.17½ cents per pound; in 1910, 14,078 pounds, at a value of 21½ cents per pound; while in 1911 there was imported 55,322 pounds, at a value of 25½ cents per pound, showing conclusively that there can be no comparison as between these years. That the goods imported in 1911 were of a different class is certain, and we think proves our contention that, in anticipation of a lower tariff perhaps, improved facilities, and greater activity on the part of makers abroad make it necessary for us to now require protection equal at least to that of the Dingley bill.

In 1907 we sent our own representative abroad for the purpose of ascertaining the labor costs in the foreign countries, and in 1911 we again sent our own representative to verify the figures obtained at that time, and found that they did not differ.

The comparison of wages paid is as follows:

For operators of automatic machinery, England pays \$10 per week; Germany, \$7.50 per week; and United States, \$20 per week.

For women employed in packing the goods, or "bench" work, so called, England pays \$3 per week; Germany, \$2.70 per week; and United States pays \$8 to \$9 per week.

The tenders of automatic machines both in England and in Germany are women who are paid not to exceed \$3.50 per week, as against boy tenders in this country, who receive from \$7.25 to \$9 per week. We do not consider it safe to employ women for this work.

We wish to call the committee's particular attention to the item of mounting the hooks and eyes upon cards: In foreign countries this is done for from 4½ to 6 cents per great gross, while we actually pay in this country from 30 to 35 cents per great gross for the same operation.

Based upon this information, we believe that a tariff as follows would be just and imperative to preserve the business to this country, and we ask that an amendment be adopted to the new bill to read:

"Hooks and eyes, metallic, when mounted upon cards, if made of brass wire, or other material of which copper is the base metal, or of steel or iron material, bear a duty of twenty-two cents per great gross of articles or pieces" (meaning that hooks and eyes should be considered two pieces).

"Hooks and eyes, metallic, when loose, including the weight of the carton and immediate wrappings and labels, if made of brass wire or other material of which copper is the base metal, or of steel or iron material, bear a duty of twelve cents per pound."

We suggest the pound instead of the great gross method for the bulk goods simply to lessen the difficulty in applying the duty.

Our figures are based upon the cost of domestic manufacture. If upon foreign figures the amount of protection would presumably be less, consequently the request for 44 cents duty on one great gross of hooks and eyes instead of 37 cents, as shown by the Dingley figures, which, as shown above, are based on our cost.

It has been asked in other cases if a reduction of the duty, thus allowing the imported goods to be sold at less than the domestic prices would effect the consumer. We think it is safe to say it would not, for the retail price is fixed, and we believe that 75 per cent of the hooks and eyes are sold at 5 cents per card.

There may be exceptional days when they are sold at what are called "sales" at two cards for 5 cents, but regardless of any difference in the price, it is our opinion that the retail dealer would charge the consumer at the rate of 5 cents per card.

One great thing to be considered lies in the fact that if duties are reduced and importations are allowed to come in, it works both ways, making a reduction in the volume of business, and largely increasing the cost of production.

We export no hooks and eyes, and it can readily be seen why. The mounting of hooks and eyes upon cards has been the subject of inquiry by the English Government, as is proven by the following quotation:

"The Toronto Globe gives abundant space on its front page to the following sordid tales of sweating from some English industries:

"NEW YORK, December 10.

"The Herald has received the following cable dispatch from London: Mr. Franks, who is here investigating labor conditions on behalf of the United States Department of Labor, has found some of the sweated industries are so disgracefully bad that it is difficult to believe that there are worse instances anywhere. For instance, in Birmingham, the chief of unskilled home trades is carding hooks and eyes. The work consists of stitching the eyes on a card, linking the hooks into them, and, finally, stitching them on the card. The rate of pay varies, a higher price being paid for the smaller and finer hooks, which are more trying to the eyes and fingers. A pack consists of a gross of completed cards with 2 dozen hooks and eyes on each, which means that 384 hooks and the same number of eyes are linked together and stitched on to the card for the munificent wage of 1 penny.

"One of the worst phases of these sweated trades is the toil they take from the lives of little children, who are at a very early age initiated into the mysteries of linking in order to help to keep the wolf from the door.

"Some of the women employed in this industry work from 3 o'clock in the morning to 11 or 12 o'clock at night."

The following is a quotation from the speech of Mr. Will Crooks in the English Parliament:

"Carding hooks and eyes is another occupation which can not be described as lucrative. Our specimen woman begins her toil at 5 p. m., when the work arrives, and does not cease until 11 a. m. next day, when it has to go back. We are notified that for her the 24 hours include 'a few hours' bed.' When work is plentiful, she and her daughter earn between them 3s. 4d. a week. But the children are made to work, and it is stated that by 'sticking as close as glue' to their breadwinning the entire family can earn 6s. a week. Fortunately, they have to pay only 3s. 6d. for their 3 rooms—a rent that would be higher but for the fact that there is 'no water in the house.'"

The following is taken from the Draper's Record of April 11, 1903:

"TESTIMONY OF MR. J. G. NEWHEY, OF MESSRS. NEWEYS, HOOK AND EYE MANUFACTURERS OF BIRMINGHAM, BEFORE THE SELECT COMMITTEE ON HOME INDUSTRIES.

"The select committee on home industries, which is presided over by Sir Thomas P. Whittaker, met in the House of Commons on April 2, and heard evidence regarding the hook-and-eye industry as carried on in Birmingham. The only witness examined was Mr. J. G. Newhey, of Messrs. Neweys, hook-and-eye manufacturers. He was asked by the chairman to describe the method of distributing the work to the home workers, and he stated that in the majority of cases the women themselves came to the factory and took the work away with them. They could have any quantity, from a pack (containing 144 cards) to as much as they wished. On coming back they sometimes received the money for the work they had done, but payment was generally made weekly. In some cases the workers sent 'middle' women to the factory, but that was merely for the convenience of the workers.

"The CHAIRMAN. In many cases home work is done to supplement the income? That is so.

"Have you any cases where the women work entirely at carding? No, not alone. If they did try to earn their living entirely by carding they would have to seek out relief.

"Do you mean that by the rates paid for carding a woman working constantly long hours during the week would not earn enough to keep herself? And her family; no. There were dozens of occupations in Birmingham, he

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continued, at which women could not earn enough to keep themselves and their families. He did not see that a wages board was practicable, although he agreed with it in principle. If a minimum wage was established in Birmingham, and raised wages 2d. or 3d. higher than they were at present, the prices were already so high that his firm would have to get the 2d. or 3d. somewhere."

We sincerely hope that the facts set forth above, more especially the method of carding by foreigners, will appeal to your honorable committee, and that you may see your way clear to grant us the protection which we ask.

If the committee desires any further statistics, we will gladly furnish them immediately upon request.

AMERICAN PIN CO.
GEO. A. DRIGGS, *President*.
THE STAR PIN CO.
GEO. E. BARBER, Jr.

[Pins—Referring to Schedule C, par. 188, of the Payne bill, and par. 57, p. 80, of the Underwood bill.]

WATERBURY, CONN., March 6, 1912.

The honorable Committee on Finance,
United States Senate, Washington, D. C.

GENTLEMEN: This schedule includes toilet pins and many other articles in which we are not interested, consequently no statistics as to importations can be compiled for the purpose of comparison, and unless pins can be separated from the other articles in the schedule it is impossible for us to suggest a rate of duty that would be fair to the schedule as a whole.

Pins are made of steel and of brass wire. The values of the wires are widely apart, the steel being worth practically \$3.80 per 100 pounds and brass \$16.37 per 100 pounds. Labor for the production of pins, whether made of steel or of brass wire, is practically the same, so it might be said that 35 per cent duty is more than is needed on certain pins if made of brass, and far less than is needed on certain pins if made of iron.

We do know that under this duty of 35 per cent there is a large quantity of cheap iron and brass pins imported at prices with which we can not compete. There are also large quantities of brass pins imported that are branded, which sell at far higher prices than the domestic product, and it is certain that the reduction of this duty from 35 per cent to 20 per cent would largely increase importations and would force the domestic manufacturers to discontinue a large part of their present lines.

We therefore urge that the duty of 35 per cent be continued until such time at least, when it is deemed wise to separate toilet pins from this general schedule.

I have looked over the examinations of witnesses by the committee and will endeavor to anticipate questions that might be asked as far as possible.

The capital invested in the pin business in the United States we would estimate at \$1,250,000; and the number of people employed, approximately, 255 men and 264 women. Our estimate of the capital employed is based upon the number of pin machines which we believe to be in operation. There are nine concerns manufacturing toilet pins. We are not sure of the statistics above stated as we are not on intimate enough relations with our competitors to feel at liberty to ask the number of machines which they each have. A few of them have authorized me to represent them at this hearing and have also given me an estimate of the men and women employed in this branch of their business; beyond this they do not go.

Our competition comes from both Germany and England. The comparison of wages paid is as follows.

Operators of automatic machines:	Per week
England -----	\$10.00
Germany -----	7.50
United States -----	20.00
Women employed for packing goods, or "bench work," so called:	
England -----	3.00
Germany -----	2.70
United States -----	8.00-9.00

X

Tenders for automatic machines, both in England and Germany—women are paid not exceeding \$3.50 per week, as against boy tenders in this country who receive from \$7.25 to \$9 per week. We do not consider it safe to employ women for this work.

The percentage between labor and material is as follows: Brass pins: Labor, 18 per cent; material, 82 per cent. Iron pins: Labor, 40 per cent; material, 60 per cent.

These figures are compiled by using strictly the money paid out for productive labor and for the actual material which we purchase, and do not include any of the indirect or overhead labor charges necessary to the production of pins; neither do they include any portion of the labor that may enter into the manufacture of wire, boxes, paper, etc., which is considered a part of the raw material that we purchase. If we did include that part of the labor which enters into the overhead or indirect charges, the percentage in both cases would be greater; but as we manufacture a number of other lines of goods, and the difficulties in proportioning these overhead charges are well known, we have ignored them in order to make this statement absolutely correct.

It is impossible to suggest an ad valorem duty which will justly cover brass pins in all their sizes, and iron pins in all their sizes. For example, brass pins figured on the basis of the American, English, and German labor costs would show that to bring the English cost up to the American it would be necessary to add 26 per cent, and to bring the German cost up to the American it would be necessary to add 81.9 per cent. But even at these figures there are certain sizes which would bear as high as 45.6 per cent, and others that would go as low as 24 per cent.

To bring the cost of the English pins up to the American, if made of steel wire, would require 47.5 per cent added, and the German pins 62.5 per cent. If a duty could be made at 9 cents for every 4,320 pins, whether of steel or of brass, it would cover the case exactly. The reason for using the odd figure of 4,320 pins is because this figure represents a standard pack, most of the American-made pins being stuck 360 pins to a paper, 12 papers constituting a pack, equaling 4,320 pins.

The direct labor cost for manufacturing all sizes, either of brass or steel, is practically the same, the only difference being in the amount of material used.

There are many toilet pins, both steel and brass, sold in bulk, and upon these, to make the English cost equal the American, it would be necessary to add 21.1 per cent; and to make the German cost equal the American it would be necessary to add 26½ per cent for brass, while for iron it would be necessary to add to the English cost 58½ per cent, and to the German 73½ per cent; while if a duty could be applied per pound of 7½ cents for brass and 10 cents for iron, it would meet this case; but, as we have said above, it is impossible for us to make a specific request for a duty covering this schedule as a whole. Should toilet pins be removed and specified by themselves, then the figures above given could be used as a basis.

In all of the figures submitted it is assumed, as I have said before, that the raw material or item of stock costs the foreign manufacturers the same as the American, which, on the face of it, is incorrect, and something should be added to cover that portion of labor which enters into this item.

One of the greatest things to be considered lies in the fact that if the duties are reduced and importations allowed to come in, it works both ways, making a reduction in the volume of business and largely increasing the cost of production.

AMERICAN PIN CO.,
GEO. A. DRIGGS, *President*.

(Representing the following concerns: Oakville Co., Oakville, Conn.; New England Pin Co., Winsted, Conn.; Plume & Atwood Manufacturing Co., Waterbury, Conn.; Star Pin Co., Derby, Conn.)

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19126

SCHEDULE C.—METALS AND MANUFACTURES OF

SUBJECT INDEX

TO

HEARINGS AND STATEMENTS

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

SIXTY-SECOND CONGRESS

SECOND SESSION

ON

H. R. 18642



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**



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